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CHAPTER I.

INTRODUCTION.

I. CITY AUTONOMY.

On its political side the public finance of cities exhibits a broad line of distinction from that of states, in that its liberty of action is limited. The government of the state exercises sovereign power ; it acknowledges no superior ; it is hampered by no restrictions except the relatively permanent ones set by its constitution ; the only positive demands upon it are those made by the exigencies of the situation. For states that are united in a federal government there are limitations of function and of taxing power ; these are sharply defined in the constitution, and otherwise state sovereignty remains unimpaired. In the United States there is very little connection between the federal and state governments ; each has its own officials who bring it into immediate relations with the people. With these few exceptions, the government of a state may assume what functions it pleases and may leave untouched what it pleases ; it may spend little or much upon them ; it may levy what taxes and incur what debt it pleases ; and it may determine absolutely the form of its financial administration.

On the other hand the activity of city government of the present time is limited in many ways. In the first place the city government is created by the state government, and may be altered or abolished by it at pleasure. In the functions it may exercise, in the amount it may spend on them, in the kind and amount of taxation, in the purpose and amount of borrowing, in the machinery of administration, in everything down

to the smallest detail, the city may not be left independent but may be regulated by the state government. Then, what complicates the case more than all else, the state makes the city an agency for performing its own functions; so that the city is collecting and spending money for the state as well as for itself.

In earlier ages a great part was played by cities that were at the same time sovereign states. But these city-states have nearly all disappeared; those of ancient times were absorbed by the Roman Empire and those of the middle ages by the modern territorial states. Hamburg, Lübeck, and Basle are surviving examples, though with only the partial independence of federated states. The soil of America was appropriated by the territorial states of Europe before cities were established or even settlements were made by white people; nevertheless there have been a few examples of the city-state. Some of the New England towns in the seventeenth century, though only cities in embryo, were practically independent states. Such for example was New Haven from its foundation till it was united with Connecticut in 1662. For a few months in 1849 San Francisco conducted its government entirely to suit itself, but was finally induced by a tactful governor to return to the old laws till a charter could be obtained.¹

The powers enjoyed by cities in the United States are granted by the state legislatures in special charters or in general laws. No authority is given to do anything and everything; the powers granted are enumerated in detail, and no others may be exercised unless clearly implied in the express powers or indispensable

¹ Johns Hopkins Studies in historical and political science, Seventh series, ii, 37-46. Also Annals of the American academy of political and social science, xii, 387-408.

to carry them out. The language of the law is construed strictly. "Any fair reasonable doubt," says Judge Dillon, "concerning the existence of a power is resolved by the courts against the corporation, and the power is denied."¹

No distinction is made between the local functions and the state functions of a city; so no clear line is drawn between activities that are *permitted* and those that are *required*. Mandatory provisions are inserted frequently about purely local concerns. The legislature of New York "provided for a commission to attend to the public parks, which were evidently a matter of purely local concern. It has within recent years appointed an aqueduct and a rapid transit commission, both bodies attending not to state but to municipal business In certain cases it has even provided that certain specific streets shall be paved, has imposed burdens upon cities for the purpose of constructing sewers or bringing in water."²

In many states it has been attempted to prevent this excessive intervention of the state in local affairs by a constitutional requirement that the legislature shall pass general laws for the government of all cities, and in most cases prohibiting special laws altogether. But this is evaded to a great extent by dividing the cities of a state into classes according to population so that each large city will have a class to itself, and therefore a body of general laws that apply only to itself. By analogy such a body of general laws is usually spoken of in informal language as the city "charter." In Pennsylvania class 1 includes only Philadelphia, and class 2 only Pittsburg and Allegheny. So Indianapolis in

¹ Municipal corporations, 145.

² Goodnow, Municipal home rule, 22, 23.

Indiana, Louisville in Kentucky, Omaha in Nebraska, St. Louis in Missouri, San Francisco in California, and Helena in Montana are the sole representatives of class 1 in their respective states. In Ohio an elaborate classification has resulted in a separate body of legislation for each city in the state that is mentioned in this study. A plan is on trial in Washington, California, Minnesota, Mississippi, and Missouri of allowing cities to frame their own charters; whether it will work well enough to be followed extensively is still a question. So with special legislation for the larger cities unrestrained in all the New England states, and quite generally in the south and in the mountain states of the west, and with the constitutional prohibitions existing elsewhere against such legislation more often evaded than observed, a large majority of the cities of the United States are subject to constant regulation by the state legislatures.

The minuteness of these regulations in some cities is amazing. The Consolidation act of 1882 for New York city required that the police force should consist of a superintendent, four inspectors, twenty-two surgeons, twenty-three hundred patrolmen, and of one captain, two door-men and four sergeants to each fifty patrolmen; and the act fixed the pay of each grade.¹ The charter of Greater New York contains similar provisions. In California the laws prescribe the entire force of officials, clerks, stenographers, messengers, etc., which a city shall maintain and fixes the salary of each. In Denver the "general salary" list fixed by law amounts to over \$100,000 in a total budget of \$800,000; in addition the law fixes the number and pay of employees in several of the departments.

¹ Sec. 265.

The legislature always attempts to make it compulsory for cities to pay the interest on their debts and something on the principal by sinking-fund or otherwise. These debt requirements though occasionally evaded, are usually successful—more so than formerly,—and hold the city to the payment of certain fixed sums.

Frequently an entire department of city administration is placed in the hands of a commission appointed by the governor of the state. Such is now the case with the police departments in a number of cities,¹ the boards of health in Detroit and New Orleans, and the Lincoln Park board in Chicago. In Philadelphia, Fairmount Park is under a commission appointed by the Court of Common Pleas. In San Francisco, before the new charter of 1898 went into force, the departments of health, police, fire, parks, and elections were ruled by state commissions.

This means of taking local administration out of the hands of the city government is frequently used to carry out extraordinary work of great magnitude. The New York aqueduct and rapid transit commissions have already been mentioned. A system of main sewers has been recently constructed for Boston and the surrounding towns by a state commission, and now the water supply is being provided for in the same way. A remarkable case of a work of this kind being executed against the wishes of the city government is that of the city hall of Philadelphia. In 1860 the legislature of Pennsylvania decided that Philadelphia should have a new city hall, and passed an act for that purpose; the war checked the undertaking for the time being. In 1870 another

¹ Baltimore, Boston, Chattanooga, Cincinnati, Dallas, Denver, Fall River, Kansas City, Manchester, St. Joseph, St. Louis, South Bend and Terre Haute (Ind.), of the cities of over 25,000.

act was passed. This act named the members of the commission and, as interpreted and enforced by the courts, compelled the city, in spite of every obstacle that the local authorities could interpose, to provide the necessary funds by taxation and borrowing.¹ Up to July 1, 1901, the building cost \$22,581,406, and it is still unfinished.

An extreme example of the small control over the budget left to the regular city government formerly existed in New York city. In 1868 out of a total tax-levy of \$17,728,590 for local purposes, only \$3,710,709 was at the disposition of the council.² Then again "in 1886, Mayor Grace showed, in detail, that almost exactly three-fifths of the appropriations were practically out of the control of the board."³ There are a few cases where the legislature has made the budget of a city or had a control over it. For the city of Washington and the District of Columbia, the budget is passed by Congress. From the earliest times to 1871 the annual tax-levy of New York city had to receive the approval of the state legislature. Before 1856 this was only formal, as no changes were ever made nor was approval ever withheld. But in 1856 the legislature changed ten items, and from that time increased its interference in the budget until the maximum was reached under the Tweed regime. "The Legislature once went so far even," said Mayor Wm. R. Grace, "as to make our municipal budget upon the reports of its own committees."⁴ The legislature relinquished this right in the charter of 1871.

¹ A. & P., Philadelphia, 221-4; and Wharton School Studies, The city government of Philadelphia, 145-50.

² Durand, The finances of New York city, 87.

³ *Ibid.*, 261.

⁴ Harpers' Magazine, Sept., 1883.

Another instance is that of Memphis. In 1879, the legislature abolished the government of the city to enable it to repudiate its debt; the area was erected into a "taxing district," and the law stated "that the necessary taxes for the support of the government thus established shall be imposed directly by the general assembly of the state of Tennessee and not otherwise." The power of levying taxes was restored to the local authorities later, after a compromise had been effected with the creditors of the city.¹

On the other hand, the constitution of California prohibits the legislature from imposing taxes on a municipality for local purposes and requires that the power be vested in the local authorities by general law. It is interesting to compare this with the fact noted above as to the minute statutory requirements regarding the number and salaries of city officials. The legislature may not certify a tax-levy or construct the city budget, but it may prescribe any number of items which must be inserted in the budget. This, as far as the writer knows, is now the universal practice in all the states, though the possibility of more direct interference usually remains, as in Tennessee.

In the matter of borrowing the cities have greater independence. It is "beyond legislative competency to coerce a municipal corporation to contract a debt for local purposes without its consent."² The Philadelphia city hall case is an exception which was allowed by the courts. Of course it is always possible that a city may be obliged to incur temporary or floating debt as a result

¹ Session laws of Tenn., 1879, ch. 11, § 9; 1893, ch. 95. Also a paper by James H. Malone in *Proceedings of the Baltimore Conference* (1896) for good city government.

² Dillon, *Municipal corporations*, 123.

of burdens placed upon it by the legislature; a complaint to this effect about the salary list comes from Denver.

Restrictions of one kind or another on the liberty of cities to incur debt are all but universal. Many state constitutions fix the limit at a certain percentage of the assessed valuation of taxable property within the city. A few, like Massachusetts, that lack a constitutional limit, fix one by statute. The favorite limit is five per cent. though there are variations from two and one-half per cent. for all cities in Massachusetts to eighteen per cent. for Richmond; Grand Rapids is limited to a fixed sum. With these restrictions should be coupled the general principle maintained by the courts that a city has "no incidental or inherent right to borrow;" the power must be expressly granted.

Similarly, though much less generally, there are limits to the rate of taxation, though only the newer southern states embody such provisions in their constitutions. In Massachusetts, outside of Boston, the maximum rate is \$12 in the \$1,000 for current expenses of the city, with no limit to the rate for county and state taxes or for paying interest and principal of debt. This plan is frequently followed elsewhere. Schools are often excepted from the limit, or a separate limit set for them. Limits are sometimes set to the rates for various purposes; thus, for Minneapolis:

Streets,	\$2.00 in the 1,000
Permanent improvements,	2.50 "
Current expenses,	6.50 "
Parks,	1.00 "
Library,50 "
Schools,	4.00 "

This amounts to fixing the maxima of certain items

in the budget. Occasionally fixed sums are named as maxima, as in Detroit and formerly in Syracuse.

No limits are fixed to the rate of taxation for cities in Pennsylvania, in California except in San Francisco, in Colorado, and in Virginia; Baltimore, Charleston, and some of the cities in Michigan and New York, are subject to no limits. In the majority of cases cities levy taxes up to the limits, thus showing that the maxima are really operative. The absolute points at which they are fixed signify little, owing to the undervaluation in the assessment; Boston is limited to \$9 in the \$1,000, while Chicago, Omaha and some other cities press against limits that are several times as broad.

Constitutions and charters frequently contain a prohibition like the following in Pennsylvania constitution: "The general assembly shall not authorize any county, city, borough, township, or incorporated district to become a stock holder in any company, association or corporation, or to obtain or appropriate money for, or to loan its credit to, any corporation, association, institution, or individual."¹ Appropriations for religious purposes are prohibited. Various ways are provided by which the state can compel a city to fulfill its contracts. Private property may be taken for public purposes, and compensation must be allowed by due process of law. Procedure in regard to the budget and the entire finance administration are regulated by statute—minutely, as in the case of Boston and New York, or in broad general terms, as in the case of Chicago and St. Louis.

State administrative control over city finances, which is so prominent in Europe, exists only in embryo here. In Colorado, Nebraska, Texas, and Illinois, there is state provision for the registry of bonds. In New Jersey and

¹ Pennsylvania constitution, art. ix, sec. 7.

New Hampshire, facts relating to the finances of cities are collected and published by state authority. In the Dakotas, the public examiners, who inspect the state banks, also examine the accounts of public officers, including those of cities. In most states there are state boards of equalization to adjust assessment of property. In 1897 Missouri passed a law requiring local finance officers, when they call in bonds that are redeemable on call, to notify the state auditor of their action.¹ In a few states the governor has the power to remove local officers. Projects for the extension of such administrative control are continually urged, and some of them will doubtless be realized in the near future.²

On the other hand, judicial control has been an ever-present and vital thing.³ Wherever the interpretation of the charter can be questioned or the rights of an individual are affected, there the courts may be called on to review the action of the city. The courts, however, never review the exercise of discretionary powers by public officials, or consider questions of expediency ; they merely enforce the law as it is, or rather as they understand it to be. Moreover, they do not seek cases ; they only adjudicate cases that are brought before them by individuals ; if no one complains against a city treasurer, who is acting contrary to law, the courts will not interfere. So judicial control is merely the instrument through which control by the constitution and by the legislature is executed.⁴

¹New York State library Bulletin, Legislation by states in 1897, marginal no. 1145. Mo. '97, p. 40.

²See *post*, p. 107.

³See *post*, p. 57.

⁴The control exercised over the city by the state is treated at considerable length by Dr. Delos F. Wilcox in Chapter III of his book, *The study of city government*, and still more fully in the works of Professor Goodnow.

2. LIMITATION OF FUNCTION.

Another phase of the position of the city should be noticed in this connection. Mention has already been made of the fact that the state may assign what functions it pleases to the city. But the city government is not the only local government to which the state may commit the performance of functions, either state or local; there is nearly always one other—the county, and sometimes there are several—the township, the school district, etc. The divisions of functions between these bodies will be noticed in this study only so far as they pertain to finance administration.

Except in New England, the county was originally the agent of the state and of all local sub-divisions in making the tax-levy, and in supervising, where not actually making, the assessment of property; such it remains for the most part now. Therefore the city's levy of taxes is certified to the county auditor or clerk, except where a special variation has been introduced. Excepting, farther, Pennsylvania, Michigan, Wisconsin and northern Illinois, taxes for all divisions are collected by the county authorities, again, of course, allowing for special arrangements; so the city receives from the county the taxes it has levied. But where a great city grows up in a county, the county government decays; in some cases it practically ceases to exist, while in others it remains a curious vestige of its former self attached to the government of the city. Philadelphia, St. Louis, and San Francisco, are co-terminous with counties; there the county treasurers, auditors and clerks have disappeared, their functions being performed by the corresponding city officers. The old New York city was co-terminous with New York county; this county now includes the

boroughs of Manhattan and the Bronx; the borough of Brooklyn covers the same area as Kings county, and the borough of Richmond, the same as Richmond county; Queens county is partly included in the borough of Queens. These counties have no treasurers of their own; all except Kings entrust their funds to the city comptroller, and after this year Kings will do the same. Boston, though not quite covering a county, has entirely absorbed the financial part of the county government; the city holds all county property and pays all the county expenses; the city treasurer and auditor are respectively treasurer and auditor of the county, though receiving extra salaries therefor. On the other hand the cities of Akron, Indianapolis, and Ft. Wayne have no treasurers of their own, but employ the county treasurers to hold and disburse their funds. In the south, the simpler plan is sometimes followed, of cutting the city entirely out of the county in which it is situated, and letting the county functions fall to whatever municipal departments may be most convenient, while the city steps into immediate relations with the state for the assessment and collection of state taxes.

In New England, the town has always levied, assessed, and collected all taxes, including those for the county and the state. So when the town grows into a city, the city has a wholly independent system of taxation, and one in direct connection with the state. In other states, where the town system of government exists, the assessment is made by the town assessor; and in New York, Pennsylvania, Michigan, Wisconsin, and Illinois, the taxes are also collected by a town collector. These functions naturally attach to the city as well. But not always does the town grow into the city; in one instance—New Haven—the city was superimposed upon

the town, and in another—Chicago—the towns were superimposed upon the city. Until 1897, over one hundred years after the city of New Haven was created, the city area was included in the town of New Haven, and the government of the latter made the assessment of property. From the introduction of the township system in 1848 to the passage of the assessment law of 1898, the assessment and collection of taxes in Chicago was a town function; the collection remains such still, though a law passed in May, 1901, will, when put into operation, practically abolish township government in Chicago.

The school district as a local division independent of the city, exists extensively from Pennsylvania westward. In Ohio, Missouri, and the new northwestern states it is universal. It is found also in the southern states. The school district may or may not be co-terminous with the city. The school board makes its own budget, certifies the tax-levy to the county authorities, holds and spends its own funds, borrows money, and holds the title to all school property. In some states it has the status of a municipal corporation. Of course, in all such cases the revenues and expenditures for school purposes do not appear in the budgets or reports of the cities.¹ The school district may, however, employ the city's financial officers; thus the auditor of the city of Cleveland is also the auditor of the Cleveland board of education.

Chicago² affords two more examples of local governments superimposed upon a city. One of these, the park boards, has already been mentioned. The large parks

¹ The two opposite views regarding the relation of the school board to the city government are presented by Professors Young and Rowe in *Annals*, xv, 171-203.

² For a fuller treatment of these references to Chicago, see Sparling, 137-57, 186.

are grouped in three districts ; over each of these is a board, entirely independent of the city government, which levies taxes and is a municipal corporation for a single purpose. The parks of other cities in the state are under a similar management. The other example is the Chicago sanitary district created for the purpose of constructing and operating the drainage canal. The canal is under the control of a board elected by the people of the district. This board is a municipal corporation with all the financial powers of a city.

3. FINANCIAL ORGANIZATION.

Concerning every social structure the first question is, What part directs and co-ordinates the activities of all the others? In the United States what is known as the cabinet system in state government and the council system in city government, *i.e.*, with the legislature supreme and the other departments strictly subordinated to it, does not exist anywhere. Ours is throughout a government of checks and balances, of division of powers. In cities this is sometimes carried out consciously, as in Cleveland where they have what they call the "federal plan," or in California where this passage occurs in the municipal code: "Every city has legislative, executive and judicial power. Its legislative power is vested in a common council ; its executive power in a mayor and his subordinate officers ; and its judicial power in a police court."¹ Montana has the same provision word for word, and Kentucky has a similar one for Louisville, with the addition that neither department shall exercise any power belonging to the other except as allowed by law. More often, however, the separation of powers has been established without

¹ California political code, § 4355.

anything being said about it, as if no other system were possible. But an exact balance of powers between three departments of government has never been maintained. In city government the judiciary has always been of small importance, being entirely overshadowed by the state judiciary; it is absurd to speak of the police court as co-ordinate with the entire group of executive departments of a city.

But between the executive and the legislative branches of city government, the balance has been better established. Up to 1850 the councils were everywhere decidedly predominant. Since then, the executive departments have gained immensely. Immigration and the democratization of government contributed to start the change about that time; also the complexity of social life caused by the great mechanical inventions. But more potent was the fact that before the middle of the century there were no very large cities in the United States, for it is chiefly in the large cities that the prominence of the executive appears.

The city charters, even now in most cases, seem to leave the greater power in the hands of the council. It passes the budget, it fixes the tax-levy, it sanctions loans, it approves contracts, it orders the payments from the treasury. These powers nominally carry with them not only complete control over the finances but over the entire government, executive as well as legislative. The number and names of its committees give some idea of what the council attempts to do. An inspection of such committee lists as are at hand produces the table given herewith. The committees are all standing committees; when the councils are bi-cameral, the committees are joint, with the exception of three

cities where each branch of the council has its own committees.

NUMBER OF FINANCIAL COMMITTEES IN THE COUNCILS OF
THIRTY-FIVE CITIES.

Finance,	27	Auditing,	6
Claims,	16	Accounts and claims, . .	4
Accounts,	14	Appropriations,	2
Licenses,	11	Estimates,	2
Taxes,	9	Contracts,	2
Ways and means,	9	Budget,	1

There were seven other committees with various titles, making a total of 110 and an average for each city of a little over three.

But with all this elaborate array of committees and with great potential authority in its hands, the council in a large city rarely gives the character to the financial system. Even in making the budget, which is peculiarly a legislative function, the council frequently adopts the recommendation of the comptroller without important change. How this comes about will appear in detail as this study proceeds, but the general reason may be stated here. Administration in a large modern city is both complicated and delicate, especially the financial side of it; it can be handled only by a man above average ability and one who devotes a large amount of time to it. Councilmen who have the time to spare lack the ability or the inclination to master the problems, while those able and willing to do so cannot find the time. The councilmen simply *cannot* grasp the work effectively, and the work simply *cannot* be bungled; consequently it is turned over to the executives, and the more there is to do, the more they have a free hand in doing it. Hence the disposition shown in recent charter legislation to exalt the executive at the expense of the council, is in accordance with a tendency that, as far as

financial administration is concerned, seems to inhere in the very nature of things. It is difficult to see how the council can be rehabilitated except by making the executive officers responsible to it on the plan of the English cabinet.

The precise point in the system where the real power is located depends much on the personality of the officials. Government is carried on, not by charters or laws, but by men. Every institution, political or otherwise, is directed by some controlling mind; he is often not the nominal head; sometimes he is inconspicuous to the superficial observer; but he is there, selected for his fitness by the course of events; and the system is incomprehensible until he is located. In a city's financial system this man is sometimes the mayor, sometimes the treasurer, frequently the chairman of some committee of the council, most often the head of the accounting department or his chief assistant. Add to this fact another, namely, that customs grow up in time which constitute a body of unwritten law, and it will be seen that the words of the charter or the statute go only part way in telling us the real structure of a system. Therefore, the investigator must not only study documents, but also come into contact with the people who are actually carrying on the government.

The budget, where one exists at all, forms the central point in financial procedure. It is the point upon which the will of the people is brought most directly to bear. The budget, therefore, will properly be the subject of the next chapter. Financial administration, in the narrower sense, consists in carrying out the provisions of the budget. It includes four essential departments: (1) the treasury for the custody of funds, (2) the system of control and accounts to supervise pay-

ments from the treasury, (3) the revenue system to furnish the treasury with a regular supply of funds, and (4) deficit financiering, or borrowing and the management of the debts thus incurred. Each of these will have a section devoted to it in a subsequent chapter. The head of the department of control will be referred to as the comptroller, although many cities designate him by another title. Then a chapter will treat of reports and other means of securing publicity. A final chapter will be given to a historical sketch of the development of budgetary systems and financial procedure in various sections of the country.

CHAPTER II.

THE BUDGET.

Bastable¹ defines *budget* as "a valuation of receipts and expenditure or a public balance-sheet, and a legislative act establishing and authorizing certain kinds and amounts of expenditures and taxation." Stourm's² definition is substantially the same: "Le budget de l'État est un acte contenant l'approbation préalable des recettes et des dépenses publiques." This is the meaning used in the following pages.

I. REASONS FOR THE DEVELOPMENT OF CITY BUDGETS.

For various reasons the cities of the United States have surpassed the state and federal governments in the development of their budgetary procedure. The chief reason is the situation the city finds itself in as regards revenue and expenditure.

Revenue comes mostly from a direct tax levied on the capital value of property. For two-thirds of the cities the charters fix a maximum rate that may be levied, and half of these find it necessary to levy up to the maximum. Philadelphia, Nashville, and Richmond, though not limited by charters, have adhered to the same rates for many years. Then as local expenditures far exceed those of the state or county, the city rate is the most potent factor in making the total rate high or low. City councils are in closer touch with the people than state legislatures, and all taxes are assessed and collected by local authorities; so the city government

¹ Public finance, 2d ed., 634.

² Le budget, 3d ed., 4.

feels the full force of the universal aversion to paying taxes, and will increase the tax rate only under dire necessity. For all cities, therefore, revenue is limited either by charter, or custom, or what the taxpayers will stand.

Consider alongside of this fact the multitude of services and the tremendous demands for expenditure which are being forced upon local government by modern urban life, under the direction of modern science and engineering. This means that city governments must "cut the coat according to the cloth," and apportion the limited revenue among the various services on a comprehensive plan in which all are given their relative importance. Hap-hazard appropriations like those of the federal government and of most state governments would be intolerable.

The restriction of city autonomy is an important factor. Under the tutelage of the state legislature the city government is often compelled to follow budgetary procedure, sometimes wholesome and sometimes not, which the legislature will not impose upon itself. One such requirement, existing almost universally, is that the city shall levy its tax for specific purposes—so much for schools, so much for parks, so much for debt—and not a single sum or rate for the aggregate expenditure; the limit to the tax that a city may levy is usually in the form of limits to the taxes that may be levied for these specific purposes. Here we have the elements of a budget.

2. FORMS OF THE BUDGET.

It is convenient to divide the forms of the budget in use among the cities of the United States into three classes: (1) the bare tax-levy, which is only a budget

in embryo, (2) the tax-levy preceded by detailed estimates, the latter remaining without legal force, (3) the tax-levy accompanied by detailed appropriations, the whole constituting a well-developed budget. Each of these will now be treated.

(1) The simplest form of budget is the bare tax-levy. In Little Rock it is as follows :

	<i>Mills.</i>
General fund,	5
Interest fund,	$\frac{1}{2}$
Sinking fund,	$\frac{1}{2}$
Total,	6

These are the maximum rates allowed by law, and the city has not for years been able to get along with less; the tax-levy, therefore, cannot be anything else and the city has practically no control over a large part of its revenue. The actual apportioning of the money in the general fund among the various departments is done by the city council when it makes contracts and allows bills from month to month. There is, of course, much informal forecasting and apportioning of this fund for a year in advance; some of the city officers and members of the council give the matter much thought; there is discussion between them in casual conversation, in the various council committees, and in the council itself. But other than the ordering of the tax-levy given above, there is no regular formal action by any part of the city government which sets a limit to expenditures, either in the aggregate or by departments, for a year or any other long period, or which makes an official estimate of the revenue that will be available and may be counted on.

This elementary budget is probably the only kind that exists in many of the smaller cities of the United States. Even when the tax rate is not fixed by a statu-

tory limit, there may be a customary rate which remains unchanged from year to year. In such a case if the expenses also remain unchanged or grow only as the valuation of property grows, the officials may be spared the task of making an annual balance sheet or of estimating in advance either the revenue or the expenditure.

A tax-levy which names the sums ordered to be raised (for example that of Elizabeth given below), instead of the rates to be levied is a short step in advance. It calls attention to exact sums and, being more definite, perhaps tempts to more careful budget-making. Such a tax-levy must nearly always be constructed anew each year; for in a growing city the same levy as last year will not produce an increased revenue this year, as it would do if the levy consisted of rates instead of sums.

(2) It is a long step in advance towards a complete budget when the forecasts of the receipts and expenditures for a year are put into writing, reduced to some kind of a system, and considered by the council when the tax-levy is ordered. For example, the tax-levy of Elizabeth for 1897 was as follows :

Public schools,	\$91,133 61
Streets and parks,	18,500 00
Fire and hydrants,	21,500 00
Police department,	47,500 00
Charities,	17,500 00
Street lighting,	22,000 00
Printing,	2,500 00
Public buildings,	3,500 00
Salaries,	10,900 00
Health, including scavenger,	10,000 00
Sewers,	2,500 00
District court,	4,000 00
Expenses of assessing taxes,	9,000 00
Contingencies and elections,	6,000 00
Interest on debt,	125,000 00

Total, \$391,533 61

The board of assessment and revision of taxes was di-

rected to "assess the sums mentioned above for the respective objects named."¹ The budget as enacted consisted merely of the above fifteen items. But these items were the totals of a much larger number which were collected or estimated by the comptroller, and revised and accepted, though not enacted, by the city council. In 1895, the board of finance of Albany, then under its old form of government, submitted the projected budget to the council in the form of twenty-three items; but the details of this budget were given in "addenda" to the length of 310 items. After making a few slight changes, the council enacted the twenty-three items. The addenda were merely provisional forecasts and remained without legal force.²

In these cases the budget consists of nothing but the tax-levy. Any number of details may be used in the estimates, but the final enactment is merely an order on the taxing authorities to levy taxes for the benefit of a small group of funds. The middle-sized cities of the west and south use this form of budget more than any other. The value of a budget like this depends altogether on how it is carried out. During the year, as the council spends the city's money in authorizing contracts, ordering work done, fixing salaries, directing the purchase of materials, and in allowing the bills that result from these acts, it is not legally bound to adhere to the hundreds of items that were used in determining the tax-levy; it is, however, morally bound to do so with reasonable faithfulness. Now a moral obligation like this is subject to every use and abuse. The council can often vary from the estimates, as the year's work progresses, in a way that will save money or secure

¹ Proceedings of the city council, for 1897-8, p. 15.

² Proceedings of common council, 1895, pp. 671-84, 726-9, 743-9.

better service to the public ; but a corrupt gang in control of the council can let the estimates distribute the funds wisely, at the time of year when the making of the budget attracts public attention to the financial condition of the city, and later further their selfish ends by diverting the funds to purposes not named in the estimates.

(3) The fully developed budget makes annual appropriations, thus fixing expenditures for a year, in connection with the levy of taxes for the year. For example, the budget of Boston, of which the enacting paragraphs are given in full in the Appendix to this study, orders that "the respective sums of money hereinafter specified be and the same are hereby appropriated for the several departments, and for the objects and purposes hereinafter stated," and that these appropriations be met out of the money already in the treasury, out of the "current income of the year," and out of the taxes to the amount of \$12,111,196 which are ordered to "be raised by taxation on the polls and estates taxable in the city of Boston." This form of budget has been growing in favor the past thirty years and is now used by nearly all of the larger cities and many of the smaller ones, notably in Massachusetts, New York, Pennsylvania, Indiana, and Illinois.

The example of Boston just given illustrates the simplest and therefore the best method of making the appropriations—at the same time the levy of taxes is fixed and in the same measure with it. The cities of New York and Illinois make the appropriations first and the tax-levy afterwards ; in Illinois the law requires that at least ten days shall intervene.

In a few cities the opposite order is followed, the tax-levy coming first and the appropriations afterwards. In

Denver, for example, the tax-levy for 1898 was as follows :

	<i>Mills.</i>
General purposes	8.5
Parks	1.3
Sinking fund	1.4
Interest	1.6
Total tax-levy	12.8

Immediately after this was enacted, the council divided the \$870,000 which the rate of 8.5 mills was expected to yield for general expenses into twenty-eight items, making a fairly complete budget. This type of budget exists in Omaha, and one somewhat similar in Minneapolis.

In Cleveland the tax-levy is both preceded by estimates and followed by appropriations. Thus the tax-levy for 1898 was made in June, 1897, and consisted of fifteen rates for as many funds. It was preceded by a detailed estimate, running to 170 items which were prepared with great care. The rates in the levy were fixed so as to yield approximately the totals arrived at in the estimates. Then in the following January the council passed the appropriation ordinance which distributed the city's estimated revenue, but agreeing substantially with the estimates that preceded the tax-levy. Providence follows a similar plan ; the estimates are made in March, the tax-levy is made in May, and the appropriations are made in September for the year beginning September 1.

These three forms of the budget shade into each other. This is decidedly true of the first and the second, and between them a sharp line cannot be easily drawn. In one city there are no estimates beyond oral reports and discussions ; in another the oral estimates are embodied in the minutes of the meeting ; in another, written

memoranda are used by some of the officers or committeemen and preserved for their later individual use ; in another, some of the departments hand in detailed estimates of their probable needs ; in another, these department estimates are preserved and variations from them permitted only with good reason. The most convenient point of separation is this : If an estimate, going somewhat into detail, is made of all the revenues and expenditures, and if this estimate is laid before the city council, and used by it in fixing the tax-levy or in forecasting the work to be undertaken during the year, and then kept on record so that it can be referred to later, we have a budget of the second class ; if any one of these things is not done, we have only the embryonic budget of the first class. The point of uncertainty is whether the estimates go sufficiently into detail. The following estimate made by the mayor of Little Rock in 1898 certainly does not :

ESTIMATE OF REVENUE, EXPENSES AND REQUIREMENTS FOR 1899.

Of our floating debt there are warrants outstanding which will mature during 1899	\$ 49,195 59
The approximate cost of running the city government for the year 1899 is	110,000 00
Estimated cost of the Logan H. Roots hospital for 1899	6,000 00
Total to provide for during 1899	\$165,195 59
Total estimated revenue for 1899	116,000 00
Leaving estimated deficit December 1, 1899 . .	\$ 49,195 59

Between the second class and the third there is some shading, though the distinction can be easily drawn. The estimates which are used by the council in fixing the tax-levy, without being enacted, may be faithfully adhered to in distributing monthly appropriations during the year—more faithfully than the annual appropriation bills of some other cities ; in practice all of

the advantages of a budget of the third class are realized though we have only an informal budget of the second class. On the other hand a budget of the third class which can be altered by a majority vote of the council may be so little regarded in the actual distribution of money during the year as to be almost valueless.

3. THE BUDGET YEAR.

The idea of time is always involved in a budget, the authorized expenditure and taxation being for a certain period. In the cities of the United States this period is uniformly one year. It is usually termed the fiscal year.

This term, however, is sometimes ambiguous. In Grand Rapids, for example, what is called the "fiscal year" begins on May 1, the date on which new officers enter upon the performance of their duties. But the budget year begins August 1, while the treasurer and comptroller make their financial reports for a year ending on a Thursday in the latter part of April. Most of the departments make their reports for the official year "ending April 30," but some prefer otherwise; the year 1899-1900, according to the reports of various officers ended as follows: mayor's clerk, May 5; the mayor, marshal, assessor, and some others, April 24; the treasurer and comptroller, together with some others, as stated above, April 19; poor commissioners, and city physician, April 18; veterinary, May 31; board of health, no date. In the same volume the police and fire departments give "fiscal exhibits" for the year beginning August 1, 1898, ending July 1, 1899. The schools have a still different system of years: the report of the board of education is for the "school year ending Sep-

tember 1, 1899"; the library committee reports for the "year ending August 31, 1899"; the year ends September 9 in the report of the president of the board of education, and September 26 in the financial report of the secretary.

Richmond affords a similar example. The financial reports are for the year beginning February 1, and that they call the fiscal year. Formerly the budget was made for the same year; but it has recently, beginning with 1898, been made for the calendar year. Most, though not all, of the departments report for the calendar year.

In such cases as these it would seem that the budget year was the one most worthy of being called the fiscal year and that the others should be called the account year, official year, school year, etc. It is, however, of much importance that the budget year and the year of the financial accounts and reports should coincide; also that the budget year be the year covered by department reports. The charter prepared and recommended by the National Municipal League is defective on this point, though the provision for uniformity and inspection of accounts would be likely to obviate the evil here mentioned.

The only cities in the writer's list that have the same year for budget, financial accounts and reports, and all the department reports, are Philadelphia, Worcester, Somerville, Troy, Atlanta, all in New Jersey except Elizabeth, and all in California except Los Angeles. Many others have the same year for all except the schools; the schools are often under independent boards and they have good reason for changing the year during the summer. The constitution of California requires that the fiscal year shall commence July 1; Los Angeles

conforms to this requirement in making the budget, but for financial reports and some other purposes its year begins Dec. 1. State laws usually set a time, but permit cities to set a different time by ordinance. Changes are accordingly not infrequent, though they are least frequent in the largest cities. With about half of the cities the fiscal year begins on January 1. The others exhibit greater variety, as shown in the list in the Appendix.

While not a matter of great importance, the fixing of this point should not be made indifferently. If other conditions permit, it should come when the financial transactions are the lightest. This gives time for the labor of closing the accounts for the old year and the opening of those of the new; the outstanding orders will then be at the lowest; large items of revenue and expenditure, and works of construction will not be cut into and so divided between two years. It should also precede the heaviest expenditures by the shortest possible interval so that they can be provided for in the budget with the least liability to error. This time, at least in the northern states, is certainly in the early spring; many kinds of work, such as the construction of the streets, are then at the lightest, but will be the heaviest during the six months immediately following. That these considerations are already taken into account to some extent is seen in the fact that of the list of cities given in the Appendix, twenty-one begin the fiscal year in March and April, while only one begins in August, two begin in September and three in October.

Changes of officers should come at the beginning of the fiscal year, or near enough to it to allow each ad-

ministration to make and carry out its own budget.¹ The majority of cities follow this principle. When elections come in the autumn, the fiscal year begins in December or January 1, and the change of administration is made then; this arrangement exists extensively in New York and New England. The legislature of New Jersey in 1901 changed the time of city elections from spring to fall. Elsewhere municipal elections nearly always come in the spring, and the change of officers also. The tendency to change the fiscal year then has just been noted, but something like a third of these cities with spring elections change the fiscal year January 1. Maladjustments also exist in Buffalo, Ft. Wayne, Louisville, Little Rock, and New Orleans.

Regard should be had to the time when the taxes are levied and collected, which is usually uniform for the state. If the budget is based on the tax-levy, it is desirable that the fiscal year should begin near the time the levy is made. To have the fiscal year begin six months after the levy of taxes for it, as in the case of Cleveland, is to be unable to foresee the demands of the various departments to the best advantage.

On the other hand, to have the fiscal year begin six months before the tax-levy is actually put into operation, as in the case of New York, means that the taxes will not come into the city treasury until near the end of the year for which they are levied. The city must then make temporary loans to anticipate these taxes

¹The charter proposed by the National Municipal League follows the opposite principle: "All taxes shall be levied and appropriations made annually not more than sixty days nor less than thirty days before the date for holding municipal elections."—Article V, section 10. This means that a new administration must carry out a budget made by its predecessors and that the responsibility for a year's work will be divided, though one aim sought in the charter is to concentrate responsibility.

and pay expenses during the greater part of the year. If, as is often the case, a considerable portion of the taxes cannot be collected until after the year for which they are levied has expired, some of these temporary loans may have to be carried over into the next year, with the result of making the accounts much more complicated and difficult to understand, as well as opening the door to deficits and floating debts.¹

4. THE ESTIMATES.

A budget begins with the department estimates, or perhaps more accurately, with the call for the estimates, for the heads of departments could not be relied on to think of the matter in time without a reminder. In the larger cities a formal notice is sent to the departments, like the following used by the auditor of Providence: "You are requested to furnish this department, on or before the first Monday in March next, an estimate of the amount of money that will be required by your department for the fiscal year ending September 30th, 18—, and an estimate of the receipts for the same period." The printed form then gives an extract from the ordinance which requires the furnishing of these estimates.

The preparation of these estimates is sometimes required by the charter and sometimes done as a favor to the officer or committee charged with framing the budget. But it makes little difference what the legal requirement is, as heads of departments are ready enough to make their needs known; in Boston the charter says that the estimates shall be sent to the mayor in January, but in practice they are sent when he calls for them, and that is usually in December. In the smaller cities like Bangor, Burlington, Covington, Des Moines, Eliza-

¹ See pp. 65 and 96.

beth, St. Joseph and Sioux Falls, the departments make no formal estimates but state their wants orally; and in some cities as large as Milwaukee, the department estimates are not considered of sufficient importance to be put in print.

The department estimates are delivered to the head of the finance department in every city that had over 200,000 inhabitants in 1900, except Boston. In all Massachusetts cities they are delivered to the mayor, and in all California cities to the auditor. In other states in cities below 100,000 population the estimates more often go directly to the council or the budget committee. A number of cities, following the example of New York, have executive boards which receive the estimates.

The department estimates almost invariably call for expenditures beyond the city's means of payment, and upon some one must fall the difficult and thankless task of cutting them down. When they go to an executive officer, as the mayor or comptroller, he ordinarily revises and compiles them. Rarely, as in Mobile, he uses them only as a basis for his own estimates which he sends on to the council. Sometimes, as in Minneapolis, he transmits them to the council just as they come to him, without adding any recommendations of his own. But ordinarily he sends on both the original estimates and his own revisions, arranged in parallel columns, perhaps with the appropriations for the previous year in still a third column. When the department estimates go directly to the council, all of this work is done by a committee; usually it is the finance committee, occasionally the committee on budget, ways and means, or appropriations. This task of working up the department estimates into the project of a budget requires so much study

of details and so many arithmetical operations, that it can be conveniently and justly performed only by one person, or perhaps by two or three working together. A larger body can only bungle the work and follow the direction of one or two irresponsible leaders. But when once the task has been accomplished by the hand or under the leadership of an officer possessing a fair amount of common sense reinforced by a thorough knowledge of the city, and who commands the respect of the council, the budget is as good as made. To increase an item or introduce a new item, it is necessary either to raise the tax-levy, which is often impossible and always so unpopular as to be done only in extreme cases; or to strike out or reduce some other item, which is certain to encounter spirited resistance. A change raises so much discussion and takes so much time that the council cannot make many changes even if the requisite majority does favor them. Over and over again the writer has received testimony to the effect that the comptroller or mayor in revising the estimates really makes the budget. One very remarkable instance is found at La Crosse, where the comptroller made the budget during his eight years of service; only once during that time did the council make any change, and then only to the extent of a single item. It is only by paying very little attention to the recommendations of the mayor or comptroller, where any are made, and doing the whole work *de novo* by its own committee, that the council can be much of a factor in making the budget. Such appears to be the case in Chicago, and many other western cities.

In a small city the proper person to make the budget is the mayor. He is usually a person of great influence in the town, and also with the council—as the comptroller sometimes is not. He is in close touch with

every department and is in position to judge wisely of their needs. He can also command the assistance of any subordinate officer ; in Boston, for example, it is understood that a large part of the work of making the budget has long devolved upon the auditor, though it is nominally the mayor's function ; the exact share borne by each depends entirely on the qualities of the two men holding the offices for the time being. But in large cities there is good reason for committing to the comptroller the task of framing the budget. He is always, presumably, an able man ; he is not burdened with such a multiplicity of duties—official, political and ornamental—as is the mayor ; his term of service is frequently longer than that of the mayor ; and he knows the details of the receipts and expenditures of all departments better than anyone else.

5. EXECUTIVE VS. COUNCIL RESPONSIBILITY.

This executive initiative in making the budget does not prevail in the smaller cities of the west, and exists still less in those of the south. But it is thoroughly established in the largest cities everywhere, and even exists in the smaller cities of the east. There the state legislatures not only give the executive of the city the initiative, but sometimes restrict the power of the council to change it. In Indianapolis and Worcester the council cannot increase the estimates. In Buffalo and Cambridge a two-thirds vote of all the members of both branches of the council is necessary to alter the estimates of the comptroller. The estimates for Washington and the District of Columbia are revised by the Secretary of the Treasury.

The most noted example of executive responsibility for the budget was afforded by New York city from

1873 to 1897. The budget was made by the board of estimate and apportionment, consisting of the leading executive officers. The council had the privilege of considering the "provisional estimate" and making changes in it. But as the board of estimate and apportionment might overrule any such change in passing the "final estimate," the council rarely made any.

While this system was in existence in New York, a board of finance was established for Albany with power to submit estimates which could be amended only by a two-thirds vote of all the members of the council. The New York plan was closely copied in Troy; there was one difference, considerable in form but slight in reality: the council had power to reduce the estimates but not to increase them, and only the mayor's veto could overrule the action of the council. The Troy modification has now been adopted in the Greater New York charter, and in the law for cities of the second class¹ in New York state. In these three cases the board is composed of five *ex officio* members, though with slight differences in the officers selected:

BOARD OF ESTIMATE AND APPORTIONMENT.

<i>New York.</i> ²	<i>Troy.</i>	<i>2nd class cities, N. Y.</i>
Mayor.	Mayor.	Mayor.
Comptroller.	Comptroller.	Comptroller.
Pres. of dep't of taxes and assessments.	City engineer.	City engineer.
Pres. of council.	Pres. of council.	Pres. of council.
Corporation counsel.	Chamberlain.	Corporation counsel.

¹ These are Albany, Troy, Rochester, and Syracuse. Utica will soon enter this class.

² An amendment made by the legislature in 1901 changes the membership of the New York board:

"The mayor, comptroller, president of the board of aldermen, and the presidents of the boroughs of Manhattan, Brooklyn, The Bronx, Queens and Richmond shall constitute the board of estimate and apportionment. . . . The mayor, comptroller and the president of the

This New York idea of creating an executive board to make the budget has been imitated extensively. The new charter of Baltimore copies it almost exactly; even the officers composing the board are the same as in cities of the second class in New York. Something of a similar kind, though without such extensive powers, now exists in New Haven, Detroit, Saginaw, Superior, Minneapolis, Sacramento and several Ohio cities. New Haven has a board of finance with the same power over the budget as that of Albany; but it is composed of the mayor, the controller, one alderman, one councilman, and three citizens appointed by the mayor one of whom retires each year. In Detroit the budget goes from the council to a numerous board of estimates established in 1895, which has final power to reduce or strike out items. In Dayton, the budget is made by the board of city affairs, composed of four citizens, one retiring each year; the council can only reduce items. A similar board was established in Cincinnati in 1898. In Minneapolis, an *ex officio* board of tax-levy fixes the maximum rate to be levied. In Columbus and Toledo, a board of tax commissioners must approve the tax-levy before it goes into effect. In Holyoke and Sacramento, the budget is prepared by an *ex officio* board of estimate; in Superior by an *ex officio* board of review; but in these

board of aldermen shall each be entitled to cast three votes; the presidents of the boroughs of Manhattan and Brooklyn shall each be entitled to cast two votes; and the presidents of the boroughs of The Bronx, Queens and Richmond shall each be entitled to cast one vote. . . ."—Charter, sec. 226. The new provisions go into effect January 1, 1902. Dr. Fairlie calls the writer's attention to the fact that the mayor and his appointees under the old arrangement constitute a majority of the board, while under the new arrangement the elective members will constitute a majority; also that the new arrangement will bring into the board some members in closer touch with the spending departments.

three cities the council has full power to make amendments. In Cleveland, the budget was a few years ago prepared by the board of control, which was composed of the mayor and the heads of departments; now it is prepared by the auditor, working in connection with the committee of the council on appropriations. It should be remembered that whenever the comptroller is a member of any of these boards, the detail work of making the estimates is likely to devolve mostly upon him. In New Jersey a law¹ passed in 1889 required that every city in the state should have a board of finance composed of the president of the council and four persons appointed by the mayor, the four to be not all of the same party, to serve for two years, one-half retiring each year, and to receive salaries of \$500 each; the letter of the law appeared to give this board large powers over the finances, but Jersey City is the only city in which its prominence is notable. Another step in the same direction is to give some of the executive officers seats in the council. In cities of the second class in Kentucky, the auditor has a seat and a vote in the council. In New Orleans, several of the executive officers, including the comptroller and the treasurer, have seats in the council and may take part in its debates; it is said, however, that they have never taken part in the meetings, though the charter has accorded them the privilege since 1882.

6. THE BUDGET ORDINANCE.

The drafting of the budget ordinance is done very often, though not in the majority of cases, by the city's official legal adviser, styled variously as the city attorney, the city solicitor, and the corporation counsel.

¹ General statutes, 1895, p. 733.

When the comptroller or the mayor revise the estimates, they sometimes draft the ordinance at the same time. When the making of the budget is exclusively in the hands of the council, the chairman of the proper committee most often prepares the draft.

After what has been said it is evident that the procedure in the council itself is of small importance, although it is there that the entire responsibility of the budget nominally rests. The various readings—by title on introduction, after the report of the committee, and before the final vote—the higgling between the two branches of a bi-cameral council, the calling of the yeas and nays, the publication in the newspapers, etc., are things that need not be treated here. A single illustration will be given of what the council does with a budget. In 1893 the city council of Chicago passed the appropriation ordinance on March 27. After a large amount of other business had been disposed of, covering thirty pages in the printed proceedings, the council took up the special order for the evening, the consideration for the first time of the report of the committee on finance on the appropriations for 1893. Twenty-one proposed changes were defeated; four items were reduced; three were increased; one item was divided into four. Before that session adjourned the budget carrying \$11,810,969 in over five hundred items had been enacted.¹

The cities where the veto is withheld from the mayor are few. Buffalo, Charleston, Dayton, Detroit, Norfolk, San Francisco, Worcester, and Wheeling are the only ones in the list, that the author has found. All of the newer charters make the mayor's veto really effective as regards appropriations, by allowing him to veto items while approving a measure as a whole. The cities

¹ Council Proceedings, 1892-3, 2718-40.

where some other than a two-thirds vote is required to pass a vetoed budget are the following: Nashville, a majority; Allegheny, Philadelphia, Pittsburg, and Providence, a three-fifths vote; Baltimore, Los Angeles, Vicksburg, and Superior, a three-fourths vote; Albany, under the old charter, Cincinnati, and Dubuque, a four-fifths vote; New York, a five-sixths vote.

7. COMPLETENESS AND UNITY OF THE BUDGET.

The number of items in the budgets varies from thirteen in the tax-levy of Youngstown, to 2071 in the appropriations of New York. For some of the larger cities the numbers in recent budgets were as follows:

Atlanta.	113	New Orleans.	307
Baltimore.	288	Oakland.	464
Boston.	72	Providence.	77
Chicago.	536	Richmond.	99
Cleveland.	170	St. Paul.	167
Indianapolis.	136	San Francisco.	130

In the smaller cities the items rarely exceed 100, and often are as few as 20.

The budget for New York city for 1896, as finally fixed by the Board of Estimate and Apportionment, contained 752 items. Appropriations for the debt included 26 items for principal, and 161 for interest. Rent of buildings and rooms used by the city took 40 items. But the appropriations were even more minute than these figures indicate. Many single items were complex and stated how the sums were to be distributed, thus:

Ten justices at \$11,500 each per annum.	\$	115,000
For salaries of 180 roundsmen of police at \$1,500 each, not exceeding.		264,000
For the salaries of 3537 patrolmen of police at \$1,150, \$1,250, \$1,300, and \$1,400 each, not exceeding. . .		4,596,652
Five laborers, at \$2 per day each.		3,660

The budget of Greater New York for 1901 contains

774 items for interest on debt, and 221 for principal; also 1076 other items, making a total of 2071. Many of these items are complex, as indicated above.

Does the city budget bring into one balance sheet all the proposed financial operations of the city for the budget period? This question must be answered all but universally in the negative. The writer has found only two examples of a complete budget—in Lynn and Cambridge. In February, 1897, the joint standing committee on finance of the Lynn council, submitted the plan of a budget, which is here given in condensed form:

RECEIPTS.

Taxes, for city (at maximum rate, \$12 per \$1,000). . . .	\$ 509,520 38
Taxes, for debt charges.	
Interest,	100,000 00
Sinking funds.	116,500 00
Receipts in departments,	
(11 items.)	106,580 26
Loans,	
(3 items).	60,000 00
Total.	\$ 980,600 64

Then follow the appropriations in fifty-nine items which likewise aggregate \$980,600.64. This budget clearly is intended to embrace all the incomes and disbursements of the city for a year, except temporary loans to be repaid before the year expires. The Cambridge budget is similar to this.

In Boston this completeness has been attained by making two separate budgets. There a clear line of separation has long been drawn between ordinary expenses and permanent improvements. The latter are met by loans, the former out of revenue. The budget has always included only the ordinary expenses and revenue. Up to 1897 the permanent improvements and the loans to meet them were made without any system

whatever ; but in that year Mayor Quincy inaugurated the practice of making a "general loan order," or budget of extraordinary expenses. The mayor called on the departments for estimates, the same as for the ordinary appropriations ; these he transmitted to the council without change or recommendations of his own. The loan order was then prepared by the committee on finance, in consultation with the mayor and the heads of departments. This procedure, however, has not been continued. The Michigan act of 1873¹ relating to cities apparently aimed to secure the making of a complete budget. It required the annual appropriation bill to appropriate all money to be received by the city, including special assessments and loans, to cover all of the expenses. But this aim has not been fulfilled. The same could be said of municipal legislation in other states.

An informal forecast of the amount the city will borrow and what shall be done with it is of course usually made, certainly where the city's debt is near the limit. But careful search and inquiry have failed to reveal other cases where a formal budget is passed to include all expenditure from loans.

The question is next on the revenue which arises from other sources than taxes ; are the incidental receipts of the departments, the license fees, the interest on bank deposits, etc., included in the budget or not ? The nature of city budgets, as already presented, doubtless suggests a large part of the answer. In the great majority of cities, the budget consists of the tax-levy, with the estimates that precede it or the apportionment that follows it. The budget has its origin in the tax-

¹ Compiled laws, 1897. Sections 3298-3313 contain the provisions relating to the budget.

levy. Therefore those cities that have developed the budget but little from its original character do not include in it the miscellaneous revenue; it is left in the departments where it arises, or devoted to specific purposes; it sometimes does not appear at all on the books of the treasurer, the departments being permitted to spend their miscellaneous receipts without accounting to him for them. Where the budget is most highly developed, there such revenue is included and is formally appropriated along with the revenue from taxes. Many cities, of which Chicago is a good example, are in a half-way stage. They estimate the miscellaneous revenue, but leave it in the departments where it arises, subtracting it from the estimated expenditures of those departments before making the tax-levy for them. The distinction between throwing the revenues all into one sum to be appropriated and using them to reduce certain estimated expenses for which appropriations are to be made may seem fanciful. But the latter method prevents the budget from becoming a conspectus of all the proposed financial operations; it gives only a partial budget, and so complicates the financial system; besides, it facilitates certain abuses.

Among the cities where all revenue of all kinds is estimated and appropriated as part of the resources of the treasury are Lynn, Boston, Cambridge, Manchester, Rockford, New Orleans, and Augusta. Though not all of the remaining cities have been investigated on this point, a majority of them probably estimate the miscellaneous receipts, but use them only to reduce the regular appropriation without bringing them into the budget.

8. ACCURACY OF THE ESTIMATES OF REVENUE.

The budget consists of a balanced statement of esti-

mated and authorized receipts and expenditures. How nearly does the forecast correspond with the outcome? Here the cities are in about the same chaotic condition as the federal government; there has been little serious effort to make them correspond. Some cities have gone on for years overestimating the revenue, allowing expenses to break entirely loose from the estimates, and ending each fiscal year with a deficit.

Expenditures may not exceed the budget estimate unless permitted to do so; it is possible to *make* them conform. But that sometimes would cripple the service; and therefore nearly all cities have provision for allowing the estimates for expenditure to be exceeded; the modes of allowing this will form the subject of the next section. Revenue, on the other hand, can not be forced to the square and the rule. A given tax-levy or a certain scale of fees will produce sometimes more and sometimes less. It is from overestimating receipts that deficits more often arise.

Unfortunately the published annual reports give very incomplete data regarding the estimates of revenue. They include the tax-levy or the budget in barely a majority of cases; and the cities that publish the estimates of miscellaneous revenue are fewer still; Boston, Providence, Portland (Me.), Philadelphia, Baltimore, and Richmond, publish itemized statements of estimated and actual receipts in parallel columns.

The degree of accuracy attained in the forecasts of miscellaneous revenue is shown in the following tables, stated in thousands of dollars :

<i>Place.</i>	<i>Year.</i>	<i>Estimate.</i> (ooo omitted.)	<i>Actual.</i> (ooo omitted.)	<i>Error %</i>
Allegheny, . .	1896-7	\$ 534	\$ 598	-10.7
Boston,	1893-4	1,422	1,517	-6.
	1894-5	1,410	1,517	-7.
	1895-6	1,394	1,638	-1.6
	1896-7	1,702	1,748	-2.8
	1897-8	1,862	2,019	-7.8
Portland, Me.,	1896-7	114	119	-2.9
Providence, . .	1892-3	570	658	-15.
	1893-4	757	795	-4.8
	1894-5	769	808	-4.7
	1895-6	779	775	+0.4
	1896-7	776	799	-2.8
Philadelphia, . .	1893	10,432	12,154	-14.
	1894	10,434	11,412	-8.6
	1895	10,754	10,566	+1.8
	1896	10,852	10,770	+76
	1897	11,345	11,927	-5.9
	1898	11,359	11,970	-5.1
Richmond. . . .	1892	483	493	-2.0
	1893	492	458	+7.3
	1894	458	420	+9.2
	1895	431	435	-0.7
	1896	444	444	-0.07
	1897	465	478	-2.7

But miscellaneous revenue is only a small part of a city's income. The chief reliance is on the general property tax, and it is here that miscalculations are the most serious. It is here also that they are most likely to occur because of the way in which the tax is levied. The assessment roll is first prepared; then a tax of a certain per cent. or a certain number of dollars per thousand will, in theory, yield a perfectly definite sum; or if a certain sum is to be raised, it is only necessary to fix the rate at a certain per cent. to get it. But in practice the receipts usually fall short of this theoretical sum. A few assessments are found to be erroneous and

must be reduced or vacated; parties assessed for personal property remove or become bankrupt; others delay for various reasons and await collection by force; imperfection in the collecting system causes loss; litigation may hold back taxes for years. Incautious and inexperienced officials, especially in a large body like the council, either neglect these disturbing factors, or do not make sufficient allowance for them. It is one of the worst features of the budgetary system in many cities that there is no definite way by which these allowances are made. The tax-levy names certain sums; these sums stand through the year as the only limit to expenditures that has been fixed by authority. Yet as estimates of revenue such sums are erroneous from the start; the revenue rarely exceeds but nearly always falls short; and there is no adequate means to give warning of the deception. Add to this the custom, harmless in itself, of anticipating the collection of taxes by temporary loans, and we have a system that could scarcely be better designed to cause deficits. Buffalo gives a good illustration. The charter directs that "as soon after the adoption of any estimate as shall be practicable, the comptroller shall apportion said tax upon the taxable property within the city, as set down in the assessment rolls of the year filed with him."¹ There is no evidence that the city government does not expect every dollar so apportioned to come into the treasury. There is an appropriation of \$5000 for refunding erroneous taxes, but that is clearly not intended to cover a deficiency in the city treasury due to a shortage in the collections. These figures show how the system works :

¹ § 75. The budget in New York is known as the "estimate."

BUFFALO: INCOME FROM TAXATION.¹

<i>Year.</i>	<i>Estimated.</i>	<i>Received.</i>
1894-5	\$3,701,704	\$3,700,680
1895-6	3,791,023	3,705,224
1896-7	3,774,297	3,611,675
1897-8	3,675,559	3,545,272
1898-9	4,601,021	4,514,572
1899-1900	4,485,695	4,512,908
1900-1901	4,466,905	4,135,427

The result is that Buffalo has a floating debt fed by an annual deficit.

In a few cities something is done to place the estimate of receipts from taxes on a more solid basis. For over thirty years New York city has added to the amount to be raised by taxes a sum to cover deficiencies.² Allegheny subtracts twenty per cent. from the tax-levy and appropriates the balance. In Baltimore the ways and means committee endeavors to make an estimate of the actual receipts from all sources. It estimated that seventy-three per cent. of the tax-levy for 1896 would be received during that year; the actual receipts were 70.4 %. Receipts from taxes in arrears fell still more

¹ Comptroller's Reports, about p. 20 in each. The close correspondence between estimated and actual receipts in 1894-5 was doubtless due to heavy collection of arrears after the panic of 1893. See p. 12, Report of 1895. The excess of receipts the last year is unexplained. The actual shortage, however, is not as great as the above figures would seem to show. Some of the uncollected taxes of each year are collected in subsequent years, when they appear in the accounts as income from miscellaneous sources. The comptroller informs the writer that the actual shortage of receipts from taxes during the last seven years has ranged between \$5,000 and \$18,000, so that the floating debt accumulated on that account during seven years amounts to only about \$80,000.

² "It shall be the duty of the board of aldermen to include, in any and every ordinance or resolution passed by them, imposing and levying taxes for any purpose or purposes authorized by law, such sum, in addition to the aggregate amount required for such purposes, as they shall deem necessary, not exceeding three per cent. of said aggregate amount, to provide for deficiencies in the actual product of the amount imposed and levied therefor." Greater New York Charter, sec. 248. See Durand, 110, 200.

short of the estimate.³ Louisville is permitted by law to expend or contract to expend only ninety-five per cent. of the tax-levy in advance of its actual collection. In Philadelphia the controller estimates the tax-levy in accordance with this rigid rule: "The amount of tax moneys collectible during the year for which such tax shall have been levied, shall be ascertained by deducting from the gross amount yielded by said rate, the average of such proportion of the annual tax levy for each of the five years immediately preceding, as shall have remained uncollected at the end of each of the said years."

A few examples of the estimates of taxes will now be given :

<i>City.</i>	<i>Year.</i>	<i>Estimated.</i> (ooo omitted.)	<i>Actual,</i> (ooo omitted.)	<i>Error %</i>
Boston,	1893-4	\$12,548	\$12,587	— .3
	1894-5	12,588	12,860	— 2.2
	1895-6	12,942	12,946	— .03
	1896-7	13,353	13,406	— .4
	1897-8	13,852	14,052	— 1.5
Portland, Me., .	1896-7	865	776	+ 11.5
Providence, . .	1895-6	2,618	2,755	— 4.9
	1896-7	2,751	2,846	— 3.4
New York, . . .	1891	33,193	32,862	+ 1.0
	1892	33,726	33,233	+ 1.5
	1893	35,023	33,527	+ 4.5
	1894	35,064	34,159	+ 2.7
	1895	37,577	36,710	+ 2.4
	1896	43,997	40,888	+ 7.6
Philadelphia, . .	1893	14,342	13,595	+ 5.5
	1894	13,985	14,078	— 1.4
	1895	14,216	14,573	— 2.5
	1896	14,633	14,656	— 1.5
	1897	14,949	15,281	— 2.2
	1898	15,313	15,677	— 2.3
Allegheny, . . .	1896-7	945	916	+ 3.1
Richmond, . . .	1892	850	889	— 4.3
	1893	880	833	+ 5.6
	1894	880	879	+ .02
	1895	890	851	+ 4.5
	1896	856	913	— 6.2
	1897	887	967	— 8.2
Baltimore, . . .	1896	5,940	5,707	+ 4.0

³ Report of the Comptroller for 1896, p. 12.

It is interesting to note the effect of the panic of 1893 on the receipts, for that year. In every case the actual receipts as compared with the estimates are unusually low. The addition for deficiencies in New York was 1.7 % in 1891, 2.5 % in 1892 and 1893, and 2.2 % in 1895. In no case was it enough to prevent a shortage and in no case was it as much as the charter allows. The Boston estimates are remarkable for their accuracy. Not only is the absolute error very small, but it is also always on the conservative side. In 1900 the Baltimore board of estimates estimated that eighty-five per cent. of the tax-levy would be received during that year; the actual receipts were eighty-three per cent., but receipts from taxes in arrears exceeded the estimate by \$60,000.

9. TIME OF MAKING THE BUDGET.

The accuracy of the forecasts depends much on how long they have to be made in advance of the time to which they apply, and in this respect there is great divergence. Washington is united with the federal system and so makes the estimates nine months before the fiscal year begins. Detroit, Ft. Wayne and Minneapolis make the estimates four months in advance and pass the budget three months in advance. Nearly as early are Buffalo, La Crosse, Norfolk and Tacoma. New York cities all complete the budget before the fiscal year begins. So do New Haven, Providence, Savannah, New Orleans, and Pennsylvania cities except Pittsburg and Scranton. The two last named, and all the other cities, as far as determined, pass the budget after the fiscal year begins. In a majority of them the estimates are made within the first month and the budget is passed within two months. Cincinnati, Evansville, Louisville, Newark, Oakland and Wheeling make the estimates for the year two or three months after it begins; while

Boston, Cambridge, Chelsea, Chicago, San Francisco and Worcester are often as late in making the appropriations. Latest of all come Holyoke, Richmond, Wheeling, Louisville, and Newark; the last named makes the tax-levy budget six months after the year begins. Only three cities are found—Boston, Pittsburg and St. Paul—that makes the estimates before the beginning of the year and the budget after it.

The proportion of cities that do this important work

work. Chicago passes a temporary ordinance allowing 75 % of the fixed salaries to be paid ; but all other necessary work is carried on absolutely without money. Richmond allows full pay to regular employees by an ordinance passed in December, but leaves all other claims unsettled. Massachusetts exhibits a variety of arrangements on this point, as the cities all make their budgets after the fiscal year begins and they are all under special charters so that variety is encouraged. Salem passes a provisional budget of twenty items that will run the departments three months if necessary. The Boston charter allows the departments to spend not over one-third of their appropriations for the previous year before the new appropriations are made. Holyoke has the same arrangement. Worcester permits one-fourth of the previous appropriations to be spent ; Lowell, one-sixth during the first two months. Cambridge carries this method of proportions to its logical conclusion and allows one-twelfth of the previous appropriations to be spent during each month of the new year until the budget is completed.¹ This plan is also followed in New Jersey.

Under proper regulations, there is no looseness in-

¹ In connection with this Cambridge has a blank form used for drafting the ordinance. The body of it is as follows :

ORDERED :

That for the purpose of meeting the current expenses of the several city departments for maintenance during the month of -----, 1898, there be appropriated under each head of appropriation, from the moneys remaining in the City Treasury November 30, 1898, together with the revenue received to the first day of -----, 1899, a sum equal to one-twelfth of the total amount expended for said maintenance under each head of appropriation during the financial year ending November 30, 1898, and also such further sums as may be necessary to provide for payments for construction work under heretofore authorized contracts. The sums so appropriated to be made a part of the annual appropriations for each department when the same shall be made.

volved in running a few weeks into the new year without a budget, and it has several advantages. It allows the estimates to be made that much nearer to the conditions they are intended to meet. It permits of using the complete accounts of the preceding year as a basis of the estimates. In several cases it would remedy the defect before noticed of having the budget made by one administration and executed by another. It would avoid the haste which is sometimes necessary to get the budget through before the close of the old year. The mayor of Nashville complained in 1896 that passing the budget just before the close of the old year virtually deprived him of a veto on it, as to do so would suspend all the operations of the city.¹

10. CORRECTING THE BUDGET.

It is not in human foresight to provide for all the needs of a city a year in advance. Local financiering, as well as national, has to meet the unexpected.² The fire department loses an engine at a fire; it must be replaced immediately, though the budget did not provide for it. A snow storm, the like of which comes only once a decade, imposes such a task on the street cleaning department that the appropriation ample for ordinary years is not now sufficient. A violent rain may so damage the streets as to make extensive repairs necessary. Similar causes of large unforeseen expense are floods, plagues, riots, fires, accidents to valuable works, and judgments rendered by the courts.³ In such cases

¹ Message in Annual reports, for 1896, p. 4.

² For the opposite opinion see Adams, Public debts, p. 307.

³ The claims which give rise to these judgments originate in personal damage due to defective sidewalks or streets, the condemnation of real estate for municipal purposes, contracts, etc. Over these expenditures the financial officers of the city have no direct control, and only

the Procrustean method is inadmissible, and probably no city has always followed it.

A few instances are found where the budget is subject to a regular revision in the course of the year. Troy under its charter made a preliminary budget just before the beginning of the fiscal year; this controlled expenditures for six months; then the final estimates were made on which the tax-levy was ordered. Atlanta passes the regular budget in January but revisions based on estimates from the departments are made in June and October. New Orleans and Cincinnati pass semi-annual appropriations in addition to the annual tax-levy budget. St. Louis passes a regular appropriation bill towards the end of the fiscal year to cover deficiencies. Louisville passes a final appropriation ordinance in the last month of the fiscal year, which supersedes the former one; this disposes of all surpluses and deficiencies and makes it possible to close the year with clean accounts. In Cleveland the council may amend the annual appropriation ordinance three times in the year—on the first Mondays in May, September and December. This looks like a very regular and orderly procedure, but it is a question if bad results might not flow from it. Anything that lessens the importance of the original budget is an evil, and a formal revision to which all might look forward would certainly do that. Then at the end of the year it would

more or less indirect control. In the great cities, notably, New York, Philadelphia, and Chicago, these expenditures run up into the millions. In New York in recent years the corporation counsel has confessed judgment in suits to such an extent as to give rise to serious inquiries and cause a controversy with the comptroller; the result was the passage of two laws at the suggestion of the comptroller requiring the corporation counsel to obtain the approval of the comptroller or of the board of estimate and apportionment before instituting condemnation proceedings or confessing judgment. See *Annals*, xvi, 148-9.

be less apparent which departments had kept within the appropriations and which had overrun.

The easiest and simplest way to let a department exceed its appropriation is to allow it to overdraw and say nothing about it. This of course requires the consent of the authorities who allow claims; they, however, must be sticklers for forms or be themselves under severe compulsion not to allow an occasional overdraft, especially as there may be no immediate harm in it; the purpose is a worthy one and there is plenty of idle money in the treasury. But it involves all the remote consequences of any official disregard of a principle. Frequently severe penalties are attached, such as making the guilty officials personally liable for the amount of the overdraft. In Dallas, Elizabeth, Tacoma, Sioux Falls, Manchester, and several cities in Ohio and Massachusetts overdrafts were admitted to be no more or less frequent, though contrary to law. Overdrafts are least used in the cities where the council orders payments, because the council is able to provide a regular means of covering the deficit; though they are authorized by the council in a way not strictly legal in Burlington, Lowell, Savannah and Mobile. In Superior and Milwaukee the council allows them by a three-fourths vote. The Buffalo charter allows overdrafts in the following terms :

“The expenditures for each department, office or other purpose during the fiscal year, shall be kept within the estimate made for it, except that in cases where the mayor, comptroller and treasurer shall certify in writing that a greater amount than provided for in the estimates is necessary in any department of the city, the expenditures in any such department may be increased by the amount so certified by a two-thirds vote

of the members elected to each board composing the common council, which vote shall be taken by calling the yeas and nays, and shall be entered upon the journals of the common council.”¹

The most prevalent means of correcting the budget is by transferring money from one appropriation to another. This avoids the irregularity of the overdraft, and at the same time uses any actual surplus in the treasury to fill the deficit in certain departments. The general rule in New York, Wisconsin, and Iowa is to prohibit transfers altogether; Ohio, Michigan and Minnesota prohibit them for some cities. Boston allows transfers on the written recommendation of the mayor approved by a two-thirds vote of the council; but the budget order always provides for transfers by the auditor and mayor between the items of any department and, during the last two months of the year, between departments. Richmond likewise requires a two-thirds vote. In Fort Wayne the council may make transfers on the recommendation of the comptroller. The practice is often carried to great excess; at Saginaw for example, out of forty-eight funds, transfers were made in 1897-8 from twenty-seven funds, and transfers to eighteen funds; eight funds both received and gave transfers. The amount transferred was \$56,454.78 out of a total expenditure of \$712,712.80.

Certain funds are nearly always exempt from transfers, such as money realized from the sale of bonds, the receipts of productive enterprises like waterworks, and money raised for schools and for departments under state commissions.

No vital objection can be made to transfers if they are kept within narrow limits. The best way to limit

¹ Revised charter, 1896, § 73.

them is probably to require a recommendation from the comptroller or the mayor or both, and a two-thirds or three-fourths vote in the council. But transfers do most emphatically complicate the accounts and help to render the published report a mystery to the uninitiated.

By all odds the most direct and the least confusing mode of giving elasticity to the budget is to leave an adequate margin of revenue which can be used for exigencies in any department. This mode is adopted in Boston. The appropriation bill provides for a "reserved fund" amounting to from one-fourth to one-half of one per cent. of the total appropriation; "and the City Auditor is hereby authorized to transfer from this fund for current expenses only, as the mayor may direct, with the approval of the Committee on Finance." The law governing the city of Cincinnati requires that in the semi-annual budget \$50,000 shall be set aside as a contingent fund to meet deficiencies; this can be used only by a two-thirds vote of the council and with the approval of the mayor. In Minneapolis twenty votes out of twenty-six are necessary to make an appropriation from the contingent fund.

One small disadvantage of a reserved fund like this is that it requires the city to keep on hand a somewhat larger cash balance than when any surpluses that exist can be made use of by transfers or by the overdrafts of other departments. But the serious difficulties with such a fund are the political ones. When the makers of the budget are struggling to squeeze the estimates of the departments within the limits of the city's revenue, they must have great self-control to leave a dollar of possible revenue unappropriated; a city council that will do it voluntarily is rare indeed. On the other hand when the charter requires that certain miscellaneous

revenues shall go into such a reserved fund, the fund may become needlessly large and offer an irresistible temptation to spoilation. Newark affords a curious illustration of this. The contingent fund is fed by the license fees and a few other sources of revenue. It is very large, amounting to nearly ten per cent. of the entire income of the city. When the council passes the tax ordinance, it also passes a "supplementary" resolution distributing the greater part of this fund to the various departments.¹ Then even when the budget-makers are able to leave a small sum unappropriated, the officers who control expenditures will have no peace until it is gone; as long as it stands on the accounts unused it invites onslaughts by advocates of innumerable projects—absurd, visionary, partisan, or mercenary, and some really meritorious—but all beyond the city's ability to pay for. Most officers who have had experience with such matters are unwilling to stand the pressure and prefer to have no reserved fund, notwithstanding the incontrovertible reasons for having one. The writer has found that nearly every other official who performs the part of "watch-dog of the treasury" has some secret or roundabout means for accomplishing the purpose of a reserved fund, such as to intentionally underestimate the miscellaneous revenues or overestimate some item

¹ In 1899 this resolution read as follows :—

"Whereas, The greater part of the tax ordinance of 1899 is appropriated by law for purposes beyond the discretion of Common Council and are insufficient to supply the demands of the various city departments even when administered with the strictest economy, therefore be it

"Resolved, That the following sums be transferred from the contingent fund to the respective accounts named below, upon the order of the committee on finance, as rapidly as said fund shall become available, which sums shall be supplementary to those contained in the tax ordinance of 1899 :"

Then follow ten items aggregating \$290,000.

of expenditure, or keep still about some surplus which he knows will not be needed but which is ostensibly pledged. He can then exhibit the accounts to those clamoring for money and challenge them to show where the money can come from, while he knows all the time where it might come from. Here also may be a reason why some comptrollers do not wish the accounts to be too simple or easily understood; it would not then be so easy to plead poverty to the importunate alderman or department chief.

So far only additions to particular portions of the budget have been considered. Transfers cause no change in the aggregate; supplementary appropriations out of surplus resources do not cause a deficit; the chief end of the budget—to keep expenditure within the income—is attained. But a leak soon becomes a torrent, and if one department succeeds in spending more than its allowance, others will strive to do the same. It is by additions to the estimated expenditures, or by a shortage in the realized income as compared with the estimated income, that the city is made to close the fiscal year with a deficit.

There are several ways of allowing the total outgo of the year to exceed the total resources. The simplest one is to merely let the bills remain unpaid till the next fiscal year.¹ This is a trick easy to accomplish and difficult to detect while in progress. A device, formerly much used but now happily disappearing, is to issue the usual orders or warrants to the claimants but let

¹ “I also wish to call attention to the pernicious practice of Councils directing a department or official to contract bills, the payment of which is to be made from the succeeding year’s revenue. This is illegal, and in the future this office will not recognize or honor any bills created in that manner.”—Report of Controller, Erie Reports, 1897, p. 14.

them remain outstanding till some money comes in.¹ In 1897 Montana passed a law requiring that unpaid warrants shall draw interest from the time they are registered until they are advertised as payable, and Idaho a law requiring the levy of a special annual tax to pay the outstanding warrants.² This gives the claimants negotiable instruments on which they can get the cash, subject, however, to a heavy discount. The most business-like way is to issue certificates of indebtedness or make loans at the banks, such as are frequently used to anticipate the taxes during the year, and let them run over into the next year. In some of the southern and western states the law allows expenditure to be made in excess of the amount specified in the budget provided it is sanctioned by the voters at a special or general election. A law to that effect was recently passed in South Carolina.³ But the end is

¹San Francisco still contemplates resorting to this practice. Article IV, Chapter III, Section 6 of the new charter reads: "Every lawful demand upon the treasury, audited and allowed as in the Charter required, shall in all cases be paid upon presentation, if there be sufficient money in the treasury applicable to the payment of such demand, and on payment cancelled with a punch, cutting the word 'Cancelled' therein, and the proper entry thereof made. If, however, there be not sufficient money so applicable, then it shall be registered in a book kept for that purpose by the Treasurer. Such register shall show the special number given by the Supervisors or other authority, and also by the Auditor to each demand presented, also when presented, the date, amount, name of original holder, and on what account allowed and against what appropriation drawn and out of what specific fund payable. All demands shall be paid in the order of their registration. Each demand upon being so registered shall be returned to the party presenting it, with the endorsement of the word 'Registered,' and dated and signed by the treasurer; but the registration of any demand shall not operate to recognize or make valid such demand if incurred contrary to any of the provisions of this Charter."

²N. Y. State Library Bulletin, Legislation by states in 1897, marginal nos. 1154 and 1201. Mon. '97, p. 75; Ida. '97, p. 50.

³See N. Y. Library Bulletin, Legislation by states in 1899, marginal no. 1465. S. C. '99, ch. 35.

always the same: a floating debt is accumulated and future generations are required to pay for the folly or extravagance or corruption of the past. A floating debt, once started, tends to grow; some unpaid bills, outstanding warrants, or certificates of indebtedness must go over into the next fiscal year anyway; they thus show the way to making the expenditures of the year exceed the revenues.

The numerous ways of correcting the budget may be conveniently thrown into the following conspectus:

I Redistributing the resources of the year.

1. Formal revision of the budget.
2. Overdrafts.
3. Transfers between funds.
4. Supplementary appropriations from a reserved fund.

II. Increasing the total beyond the resources of the year.

1. Unpaid bills.
2. Outstanding orders.
3. Temporary loans.
4. Issuing bonds.

One of the best evidences of a good financial system is the avoidance of deficits. When we learn that Providence and Cambridge never have deficits, we cannot find serious fault with the financial part of their government. On the other hand there is some radical fault when deficits not only occur but occur so frequently as to attract attention more by their absence than by their presence.¹ In Newark the inquiry whether the

¹ In December, 1897, Comptroller McCardy of St. Paul, announced that for the first time since he became comptroller, which was in 1892, the city had money enough at the close of the fiscal year to pay all demands for all departments. The Times-Herald of Chicago, con-

city ever had a deficit at the end of the year, was answered in the affirmative, with the explanation that the floating debt after two years was funded into ten-year bonds.

In Lowell temporary loans frequently go over into the next year. The excuse offered is that some of the taxes are not yet collected, though most of the other cities of Massachusetts, with the same tax laws, do not find the same expedient necessary.

tained the following, Dec. 30, 1896 :—"Chicago will close the year with cash on hand. When the bookkeepers in the city hall draw a lot of red lines in their ledgers to-morrow night they will find, on adding and subtracting in the proper places that the expenditures have been smaller than the appropriations. In other words, there will be a surplus instead of a deficiency.

"This doesn't happen frequently. It has not happened more than once or twice since Clark street was an Indian trail, and that it is the case this year is due to Mayor Swift and his careful administration of municipal matters. His watchword, invented when he took his seat and repeated every day since in every department, has been a mixture of command and advice :

'Keep within your appropriation.' "

CHAPTER III.

ADMINISTRATION.

I. THE TREASURY.

When a corporation possesses any money, there must be some one to hold it.¹ This person, in the cities of the United States, is almost universally known as the treasurer. In Baltimore he is called the "register," and in New York he is called the "chamberlain"; Albany and Troy also had chamberlains under their old charters. In the development of government the treasurer is among the first officers to be provided for. The Dongan charter of 1686 provided that the council of New York should elect a "chamberlain or treasurer."² The town board of Chicago, at its first meeting in 1833, elected a president and treasurer.³ In 1837, on the granting of the first charter, "the treasury was the first administrative department to be organized."⁴ Philadelphia did not have a regular treasurer before 1789; either the mayor or an alderman was appointed treasurer. However, the first ordinance passed under the charter of 1789 was "for ascertaining the duty and pay of the treasurer."⁵

In early times the treasurer was appointed by the council, evidently in accordance with the disposition in the colonies to keep the purse in the hands of the representatives of the people. When the tendency to make all

¹ For an interesting example of the diffusion of this responsibility, see Mrs. Green's, *Town life in the fifteenth century*, i, 138.

² Durand, *History of the finances of New York city*, 15.

³ Sparling, 22.

⁴ *Ibid.*, 44.

⁵ Wharton *School of finance, City government of Philadelphia*, 88; A. & P., *Philadelphia*, 13, 47, 68.

offices elective set in, the treasurer felt the full force of it ; but the recent tendency to have them appointed by the mayor has not included the treasurer. He is now nearly always elected by the popular vote ; the exceptions noted are Bangor, Manchester, Baltimore and several Massachusetts cities where he is appointed by the council, and Boston and New York, where he is appointed by the mayor.

The prevailing term of office of the treasurer, as of all state and local officers, is two years. In New England the cities generally retain the one-year term as they had it when their government centered in the annual town meeting ; but in 1897, Boston and New Haven adopted the biennial term. The one-year term also exists in Superior. Philadelphia, Camden, and Cincinnati have a three-year term ; New York,¹ Buffalo and New Orleans have a four-year term.

The treasurer is uniformly required to give bonds for the faithful performance of his duties, as is often required of other officers ; but in his case the bond is very heavy on account of the large sums of money entrusted to him. The exact amount of the bond, however, seems to be largely a matter of chance or caprice, as it bears no fixed ratio, even approximate, to either the size of the city or the sums usually kept in the treasury. The following examples show how the amount of the bond ranges :

Baltimore.....	\$ 50,000 00
Boston.....	150,000 00
Buffalo	200,000 00
Grand Rapids.....	250,000 00
New Haven.....	50,000 00

¹The amended charter of 1901 reduces the term of office of the mayor, comptroller, and other important officers in New York to two years, counting from Jan. 1, 1902. The chamberlain is appointed by the mayor. Sections 94, 95, 97, 118 and 194.

New Orleans.....	50,000 00
New York	300,000 00
Philadelphia	100,000 00
Salt Lake City	250,000 00
San Francisco.....	100,000 00
Savannah.....	25,000 00

Formerly the bond was a personal one ; that is it was made up by the friends, chiefly political, of the officers to be bonded, and their reliability had to be passed on by the council or some other officer of the city. But that method of securing the bond is inconvenient and disagreeable to all concerned, is open to great abuses, and is often found insecure. Now the bond is often provided by a surety company for a consideration, and the transaction is a purely business one all around. The business of corporate bonding is of very recent growth,¹ though there is still great room for its extension, especially in the west and south. One who is intimately associated with it,² estimated in 1898, that only one-tenth of the surety business was carried by corporations. Since then the amount of it has increased about one-half.

This development is having highly beneficial results. Real security is afforded where only an appearance of security existed before. But more valuable than this

¹ The leading surety companies, according to the Connecticut Insurance Report, for 1901, are the following :

NAME.	Location.	Date of Incorporation.	Millions of risks in force Dec. 31, 1900.
American Bonding and Trust Co., .	Baltimore, . .	1895 . . .	\$96.9
American Surety Co.	New York, . .	1884 . . .	199.5
City Trust, Safe Dep., Surety Co., .	Philadelphia, .	1886 . . .	43.7
Fidelity and Dep. Co. of Maryland, .	Baltimore, . .	1890 . . .	87.1
Lawyers' Surety Co.,	New York, . .	1892 . . .	48.1
U. S. Fidelity and Guaranty Co. . .	Baltimore, . .	1896 . . .	253.9*

* Includes fidelity as well as surety.

² Mr. Samuel H. Shrver, secretary-treasurer of the American Bonding and Trust Company.

is the improvement in methods of administration, brought about in the same way as fire insurance companies occasion improvements in protection from fires. The officers of the surety companies know the elements of risk and of safety better than legislators or city officers ; they proportion the rates somewhat according to the risk and they refuse to give bond in any case unless certain conditions are complied with ;¹ they thus offer a definite pecuniary inducement for the introduction of the best methods of handling city funds.

The most important of these devices to secure safety of the city funds is the requirement that all money received be promptly deposited in banks and that payments be made by checks. This, when combined with a proper accounting system, renders it impossible for the treasurer to steal outright any considerable sum without the aid of the accounting officers or of the bank officials. In Grand Rapids, for example, the council selects a bank in the city to serve as a depository of the city funds. The bank gives a bond for \$500,000. It keeps its account with the city in books provided by the city and open to the inspection of the treasurer, the comptroller,

¹ The United States Fidelity and Guaranty Company names the following conditions for bonding a treasurer :

1. That he will deposit all funds in depositories.
2. Keep on hand in cash only sufficient funds to meet the demands upon the office.
3. All moneys to be paid out on warrants issued by a duly authorized official or officials.
4. Money to be deposited daily in his name as treasurer.
5. Money to be drawn from bank only upon check signed by treasurer and countersigned by another duly authorized official.
6. Securities and other collateral to be deposited in bank and only to be withdrawn by treasurer, accompanied by one or more authorized officials.
7. Stated examinations of applicant's books to be made by other officials, and also by the representatives of this company at such times as it deems proper.

the city attorney, or any member of the council. It must also report monthly to the council stating the amount of money on deposit. The treasurer must deposit daily all money received by him. He receives duplicate receipts for deposits, filing one copy in his own office and the other with the comptroller. Money can be drawn from the depository only on a check signed by the clerk and the comptroller.¹ The surety company requires daily reports of the receipts, the payments, and the amount on deposit. For the loss of money in the depository, the treasurer and his sureties are not held responsible.

In Manchester, to take another example, the treasurer's bond is \$60,000. It was formerly personal and was furnished by persons connected with the bank that held the city deposits. In 1898 corporate bonding was introduced; now all the bonds of the city officers are furnished by surety companies, and the cost is paid by the city.

This last feature—the saddling of the cost of the bond upon the city is frequently met with. The regular rate of the premium is fifty cents per \$100 per annum. But keen competition between the companies has led to much cutting of rates. The average rate realized on the surety risks in 1900, as given by the Connecticut Insurance Report, was a trifle under forty cents.

It is not usual to require bonds of banks that hold city deposits, but the numerous losses by failure of banks during the panic of 1893 led to an extension of the practice. The extreme measure of safety seems to be taken in Duluth; there the deposits are distributed among five banks in proportion to their capital, and no

¹ Charter, title iv, secs. 10-13.

bank may receive deposits to exceed one-half the amount of its bond.

A little over half of the cities receive interest on their deposits and the proportion is on the increase. Where no interest is received, the custody of the city funds is in danger of becoming one of the political spoils. When a Manchester bank furnished the treasurer's bond, that bank had the city deposits and paid no interest on them. If the treasurer is allowed to keep the money where he pleases, the interest goes into his pocket; in Minneapolis until recently, this was the way in which the treasurer was expected to get his salary. If the council decides where the money must be deposited, it goes to banks that enjoy political favor. At one time the People's Bank in Philadelphia, which was controlled by local politicians, had on deposit from \$400,000 to \$900,000 of city money; the capital stock was only \$150,000.¹ In 1882 an ordinance was passed requiring the distribution of the deposits among the banks of the city in proportion to their capital. The city first received interest on its deposits in 1892.² It now receives about \$75,000 a year from this source. Sometimes the banks unite in a combination and refuse to pay any interest. As the city must deposit its money anyway, they then receive it without interest. Such was recently the situation in Minneapolis and Nashville. The best way to meet such a combination is to deposit as much of the money as possible in banks in other cities; Minneapolis, at the time of the writer's visit in 1898, kept a large deposit in Chicago, and received two per cent. on it.

City treasurers in California are required by law not

¹ Johns Hopkins Studies, Fifth series, i, 58.

² Wharton School, City government of Philadelphia, 92.

to deposit the city funds in banks but to keep them in vaults.¹ The board of education of Superior lost some money in 1893 by the failure of banks and now requires the city treasurer, who holds the funds, to keep them in a safety-deposit box.

It is rare that money in the possession of a city treasurer is lost, and outright stealing by a treasurer is almost unknown. In 1893, Treasurer Haugan of Minneapolis was president of a bank; most of the city money was deposited in his own and one other bank, but he had loaned some city money to private parties without the knowledge of the comptroller. The banks failed and the city lost heavily. The city of Seattle had a series of difficulties with its treasurers, culminating in 1893 in the loss by Treasurer Krug of \$120,000 through bank failures and private investments; a portion of this sum was collected from his bondsmen. A more recent embezzlement is that of E. S. Dreyer, treasurer of the West Park board in Chicago, for \$310,000; he became insolvent and the money could not be recovered of him. These were all cases in which the treasurer merely intended to use the money temporarily for his own profit, as it was expected he would do, to pay him for his work as treasurer; the trouble arose when his private business became involved.

2. THE DEPARTMENT OF ACCOUNTS.

(a). *The Comptroller.*

Equally important with the treasurer in a financial system, is the officer who issues orders on the treasurer, and keeps a check on him and a control over all expenditures by a system of accounts. He is variously

¹ Act of 1883, sec. 122.

termed, as is shown by the list in the Appendix. In New England, Virginia, Iowa, Colorado, Utah, California, and Texas he is called the *auditor*. In the other states he is called the *comptroller*, in the largest cities nearly always and frequently in the middle-sized ones, though with the spelling *controller* in Pennsylvania. In the smaller cities the *clerk* performs this function; in Illinois, Kansas and the south numerous middle-sized cities have no other accounting officer than the clerk; in Minnesota and some other states the clerk is called the *recorder*. Some cities, especially in Missouri, have both comptrollers and auditors. Burlington has three auditors, but the clerk is the real head of the department. Nashville has a comptroller, but he is a subordinate official; the real head of the finance department is the recorder. The two Utah cities, Salt Lake and Ogden, are much similar to Nashville; each has a recorder and an auditor, the latter appearing to be the less important. In Ohio there is not even a tendency towards uniformity: in 1892 Dayton changed the auditor to a comptroller; in 1893 Cincinnati changed the comptroller to an auditor, and in the same year Columbus changed from auditor to director of accounts.

Comptroller and *controller*, though pronounced the same and used interchangeably, have the different derivations suggested by their spelling. If a choice between them were to be made on grounds of etymology and orthography only, it would be in favor of the latter; but *comptroller* is too firmly embedded in usage to be dislodged. The framers of the Greater New York Charter in 1897 used the simpler spelling, but the charter as amended in 1901 goes back to the more familiar *comptroller*. The law for cities of the second class in New York passed in 1898, did not attempt to make the change.

The National Municipal League, being led largely by Pennsylvanians, uses *controller* in its proposed charter.

The department of control and accounts runs back to the town clerk and thence, if the mark theory be accepted, to the vestry clerk in England.¹ In town government the selectmen, the supervisor, or the board approve claims and order the payment of money. The paper directing the treasurer to pay money is drawn and signed by the record-keeper of the town, known almost everywhere as the clerk, rarely as the recorder.² In most cases the clerk still survives in cities as the secretary of the council and the keeper of miscellaneous records.

The department of control is not, like the treasury, early differentiated from administration in general. The Dongan and Montgomerie charters of New York left these powers in the hands of the recorder or of the council itself, and there they remained till the office of comptroller was created in 1801. Philadelphia, as we have seen in the case of the treasurer, was late in differentiating its financial administration; the office of controller was not created till 1854, the duties remaining chiefly with the mayor till then.³ Baltimore⁴ and Chicago did not have comptrollers till 1857, St. Louis till 1877, New Orleans and New Haven till 1897, and Syracuse and Rochester till 1900. But in Massachusetts the importance of a separate department for control and accounts was early recognized. The legislature provided for an auditor in the first city charter it granted, that of Boston in 1822, and has done the same with every charter since then. In other states, however, many ex-

¹ Howard, *Local constitutional history*, 39.

² *Ibid.*, 83, 173.

³ A. & P., *Philadelphia*, 65.

⁴ Hollander, *Financial history of Baltimore*, 204.

amples still exist where the department remains undifferentiated. Such are all cities where the functions of control, audit, and accounts are performed by the clerk or recorder; such also are Sioux Falls where the auditor is merely the old fashioned clerk under a new name, and Seattle where the comptroller is the clerk of the council. In Utah in cities of less than 12,000 inhabitants the recorder is ex officio city auditor.¹ In Burlington and Charleston there is really no accounting department, orders on the treasury being drawn by the mayor.

But some of these cities feel keenly the inconvenience of their system and are striving to remedy it. The mayor of Toledo in a message sent to the council in May, 1894, gives an account of his efforts to have the legislature create the office of comptroller. The city has an auditor but his duties are purely clerical. The mayor states that the system of accounts is very loose, that the same bills are paid more than once, that officers who collect money do not turn it over to the city treasury, and that some bills are paid without any audit whatever.²

One of the largest cities recently struggling with a primitive system of control was Syracuse. The work was divided between the clerk, the council committee on accounts, and an expert accountant hired at the beginning of each year to check the accounts of the preceding year. In his inaugural address in 1896 the mayor spoke of "the urgent necessity of a city auditor or comptroller, who should be appointed to superintend the bookkeeping at the city hall. A competent official is urgently required, with power to make a monthly

¹ N. Y. State library Bulletin, Legislation by states in 1899, marginal no. 2933. Utah, '99, ch. 24.

² Annual reports, 1893.

audit, who would act as a check on departments and committees, and who would have constantly at hand an accurate statement of the situation in each department.”¹ In 1898 at the beginning of his second term he alluded to the same subject again, and said that “no business house would tolerate such antiquated village methods of accounting for a day.”² As a city of the second class in New York, Syracuse has had a comptroller since January 1, 1900.

New Jersey passed a law in 1880 allowing any city “wherein the office of comptroller does not now exist to create and establish the office.”³ All the cities of New Jersey included in this study now have comptrollers. In Michigan a law⁴ permits cities of over 12,000 inhabitants to have a comptroller ; in others the clerk is the head of the accounting system.

The term of office of the chief accounting officer is the same as that of the treasurer. The clerk is sometimes elected by the council and sometimes by popular vote. The auditor or comptroller is rarely chosen by the council ; most often he is elected by popular vote ; but in some of the larger cities he is appointed by the mayor. The National Municipal League recommends election by the council.

(b). *Auditing Bills.*

The first function of the department of control is to audit bills against the city. A good statement of the steps which this involves is found in the report of the Manchester auditor for 1895 :⁵

¹ Proceedings of the common council for 1895, p. 740.

² Common council manual, 1897-98, p. 27.

³ General statutes, 1895, vol. I, p. 570.

⁴ Statutes, 1882, sec. 2425. This provision, however, may have been repealed, as it is not in the Compiled laws of 1897.

⁵ Annual reports, p. 720.

"1. Is the subject matter of the bill under examination within the scope of the powers conferred by the legislature on the city government?

2. Is the bill certified by the party legally authorized to make the contract, or cause the expenditure to be made?

3. Has any appropriation been made to meet the expenditures, and is there a balance unexpended sufficient to pay the bill?

4. Are the number of articles in the bill, or the measurements either of dimensions, quantities, or weights correctly and fully stated, and is the proof of the delivery to the city of the whole amount charged sufficient?

5. Is the price charged a fair market price, or is it so largely in excess as to require the attention of the city councils to be called to the same?

6. Is the bill written in a fair, legible hand, correctly cast, and on paper of sufficient length and width to admit of its proper backing and filing?

7. If the bill is in part payment of a contract, the date and total amount of the contract, the amount already paid, the amount of the work not yet completed, and the per cent. retained, if any, should be stated in the bill.

8. Any other inquiries in matters of law and fact which affect the question of indebtedness before the auditor.

9. Approval, rejection, or suspension for further information or correction as the circumstances of each case may require."

Another question might well be inserted in this list: Is the bill one that has not already been paid?

The auditor of Manchester in 1895 thus inspected

5922 bills, besides certifying the pay rolls by which the salaries of regular employees were paid. Not all auditing officers, however, have so high a conception of their duties. In cities below 75,000, such as Toledo, Oshkosh, and Duluth, auditing is often only a clerical process—requiring the bills to be in the proper form and arranging them for consideration by the council.

It may be thought that, as long as the bill has the approval of the department for which the expense was incurred, several of these questions are unnecessary or impertinent, especially the fifth. But if left to the heads of departments, the investigation of any of these points will often be unsatisfactory. The department chief does not make a business of inspecting bills, but he inspects them hastily as they are presented to him in the midst of other work ; he is not an expert accountant, and overlooks errors in the computations ; the old bills do not remain in his office, and he may have no means except his memory to know whether the prices are right and whether the bill has not already been paid. In all of these respects the auditor is in the most advantageous position.

In the larger cities the auditing officer is clothed with large discretionary powers. The report of the comptroller of New York for 1892¹ discusses the work of the auditing bureau of that city. The bureau employed eleven men who were charged with the inspection and examination of various works of construction, repair and maintenance as they progressed, as well as the inspection of materials and supplies delivered to the departments. In 1892, they “made nineteen thousand inspections and examinations, outside of the office, all over the city,” and “reported adversely in nearly three

¹ Page 58.

thousand cases. In such cases defective works, supplies and materials were required to be made good, and compliance with the contracts or agreements was enforced before payment was made of the amounts called for by the vouchers and estimates which had been certified to the finance department by the various departments."

(c.) *Control over Expenditures.*

The auditor or comptroller is the person who can best perform the duty of keeping the expenditures within the limits set by the budget. To do this he must charge to its proper account, every bill allowed, and keep his books in such a way that he can tell in a moment whether or not there is money available for any bill that may be presented.

But the heads of departments sometimes incur bills in excess of their appropriations, either through ignorance or trusting that the overdraft will be allowed in some way. This involves two evils: it is an unwarranted attempt to force the hand of the government into granting a larger allowance, and it exposes innocent or venture-some claimants to vexation and perhaps loss. The remedy is to push the financial control back to the initial steps that lead to the liability—to require that every contract or requisition for supplies shall bear the certificate of the comptroller to the effect that there is a balance appropriated to this purpose sufficient to meet the expense. This device has been generally adopted in the newer charters. In 1896 Ohio passed a law that no local authority shall make contracts, obligations or appropriations unless money to meet them is in the treasury or a tax has been levied to raise it.¹

¹New York State library Bulletin, Legislation by states in 1896, marginal no. 472. O., '96, p. 341.

Final responsibility for this control over expenditure may be vested in the council. This is the case in three-fourths of the list cities, and probably in nearly all of the smaller cities of the country that are not mentioned in this study. St. Louis is the largest representative of this class. The twenty-one cities where the council does not have this power are all north of the Ohio and the Potomac, except Jacksonville; Chicago is the farthest west of the number except San Francisco. Massachusetts contains four—Boston, Cambridge, Lowell, and Worcester. Indiana has three—Indianapolis, Ft. Wayne, and Evansville. New York has five—New York, and the cities of the second class, though Rochester and Troy had been in the list when under the old charters. The others not yet mentioned, are Baltimore, Cincinnati, Dayton, Erie, Manchester, New Haven, Philadelphia, and Providence; in the District of Columbia, the expenditure of appropriations is vested in the commissioners.

There is frequently some compromise between the two methods of control. In Grand Rapids claims not recommended by the comptroller are allowed only by a three-fourths vote of all the members of the council. In 1896-7 nine such bills were acted on by the council; eight were not allowed and one was "referred." Chicago, Cincinnati, Erie and Jacksonville, limit executive control to the extent of requiring the approval of the council to formal contracts. Evansville and Worcester do the same with large contracts. On the other hand, Covington allows the department to make expenditures not exceeding \$25, without consulting the council; Wheeling sets the limit at \$100, and Cleveland at \$250. Likewise the payment of regular salaries is often ex-

empted from the action of the council, as in Pittsburg, Columbus, Superior and Tacoma. Certain departments are excepted, as in Denver. The school board is most often thus favored; the commissions appointed by the governor, or otherwise independent of the rest of the city government, must also have control of the funds of their departments, or their independence is seriously impaired.

It is at once evident that the cities which have the most highly developed budgetary systems are precisely the ones that commit to the comptroller the responsibility for the execution of the budget. The same conditions which make an elaborate budget necessary also render effective control over it by the council impossible. Then the execution of a carefully prepared budget is chiefly ministerial and there is little occasion for the legislative branch to have a part in it; also,—reversing the order of cause and effect—where the council is done with the finances for a year the moment the budget is passed, there the making of the budget receives the closest attention. If the budget is only a tax-levy, of course it does not appropriate at all; the council must make the appropriations later when it approves contracts, orders purchases or work, or allows bills.

But it must not be supposed that, in the multitude of cities where bills must receive the approval of the council, the real work of auditing claims is done there. In a large city it could not possibly be done by the council or even the ordinary council committee. It goes where all detail work inevitably tends—into executive hands.

(d). Check on other Departments.

Finally the comptroller supervises the accounts of other officers who handle the city's money. He pre-

scribes their forms of account and report, receives reports from them, and inspects their books. But it is over the treasurer that he exercises the most perfect supervision. All bills against the city must receive the approval of the comptroller before being allowed, even when they are allowed in form by the council; all pay-rolls and warrants on the treasurer must be signed by him; as also must all checks drawn by the treasurer on the banks acting as depositories. He may keep informed of the money coming into the treasury either by countersigning all receipts given by the treasurer or by inspecting the treasurer's books, or both. In at least two cities, St. Paul and Omaha, the comptroller checks the books of the treasurer daily. Then by occasionally counting the treasurer's cash and receiving statements from the banks of the amount of city money on deposit, the comptroller has a perfect check on the treasurer. In Newark the treasurer informs the comptroller daily of the amount on deposit in the various banks.

Not all cities, however, have a perfect system like this. The most frequent imperfection is that the comptroller has no direct means of knowing how much money comes into the treasury. Sometimes entire departments, like the board of education or the police commission, are independent of the comptroller. Sometimes the treasurer or other officers are allowed to spend or receive petty cash without any check whatever. In 1897 shortages were found in the accounts of three minor officers in Cincinnati, due to the imperfect system of accounting.¹

(e). *Relative Importance of the Comptroller.*

In some cities in the east and south the treasurer is

¹ Annals, x, 130.

clearly the chief financial officer; he may have the management of the debt, collect the taxes, or publish the financial report. But in the west, with the exception of Iowa, and in the cities with newer charters everywhere, he is often deprived of discretionary power, and reduced to a mere receiving and disbursing officer and an intermediary between the city and the banks. In an undeveloped financial system the treasurer occupies a position of great responsibility, requiring a man of highest integrity, with experience in keeping accounts and in handling money; while the chief accounting officer is what he is usually called, "a clerk." But as government becomes more elaborate, the accounting system develops; the treasury may be, though is not always, subordinated to it.

One indication of the importance attached to an office is the salary paid. For this purpose a table in the Appendix gives the salaries paid to the treasurers and chief accounting officers in a considerable number of cities. In the majority of cases the treasurers are the more highly paid. Thus New York pays the chamberlain \$12,000 and the comptroller \$10,000; Boston pays the treasurer \$6000 and the auditor \$5000; Buffalo and Milwaukee pay their treasurers \$5000 and their comptrollers \$4000. One cause of this difference is doubtless the heavy bond required of the treasurer. But it is also due in great part to the superior importance attached to the office, either real or supposed. A decided reversal of the usual rank of the two offices is shown in some of the cities with new charters, such as New Haven, New Orleans and Cincinnati.

Another index of the consequence attaching to an office in the popular mind is found in the length of tenure of the incumbents. Here again the difference is

in favor of the treasurers when only the small cities are considered. Examples of treasurers who have held office for long periods are decidedly more numerous than examples of clerks, auditors, and comptrollers. Charles A. Hills was chamberlain of Albany from 1880 to 1894, and had previously been deputy chamberlain. The treasurer of Oshkosh has just entered upon his sixteenth year of service; though a Democrat in politics, a group of influential Republicans always give him sufficient support to elect him. In large cities, on the other hand, the situation is reversed: the comptrollers surpass all other officers in length of service. The most noticeable example that has come under the writer's notice is that of James H. Dodge, auditor of Boston, who has been in the auditor's office since 1867, and as auditor since 1881. Auditor Chase of Lowell has held his office since 1874, with the exception of one year. Richard R. Storrs was deputy comptroller of New York for nearly thirty years. St. Paul kept the same comptroller from 1865 to 1891, and then another from 1892 to the present. Nashville kept the same recorder for fourteen years. The present auditor of Richmond began his service in 1893, and had served in the office as a clerk for thirteen years preceding. Other examples are found in Providence, Detroit, Cambridge, Lynn, Newark, Elgin, Oakland and San Francisco. Further research would doubtless extend the list.

Another indication of the importance of an office is the character of the men chosen to it. This is not an easy matter to pronounce on and it would be invidious to mention names. But the writer's personal acquaintance with officials confirms the rule noted above. He has met several decidedly inferior men serving as comptrollers or auditors—all in small cities, but he has

never yet seen an inferior treasurer. In the large cities, on the other hand, it is among the comptrollers that the greatest ability is found. Men like Dodge of Boston, Coler of New York, McCardy of St. Paul, and many others that might be mentioned, take high rank as administrative officers. The recent death of Comptroller Waller, of Chicago, revealed the profound respect that his acquaintances had for his integrity, his ability, and the quality of his work for the city. In this connection it is interesting to note that in Ogden the office of auditor has been held by women since 1898.

3. THE REVENUE SYSTEM.

However much the comptroller may approximate a finance minister in his connection with the budget and in his control over expenditures, he exhibits no tendency whatever to become the administrative head of the revenue system. The assessment and collection of taxes and the management of profit-yielding enterprises are as distinct from the department of control as the latter is from the management of the sewers.

Outside of New England, taxation was originally administered wholly by the county, and it still is in Ohio, Indiana, Colorado, Utah, Montana, Washington, Arkansas, and doubtless in other states. In Iowa, Minnesota, and the Dakotas the county nearly always collects the taxes, though the cities make the assessment; Dubuque and a few other special charter cities in Iowa also collect their own taxes. Michigan and Illinois have mixed systems. A law in 1898 took away from the towns within the city of Chicago the assessment of taxes and gave it to the city, though the collection is still made by the towns. Mobile and Charleston

copy the county assessment but make their own collections.

In the majority of cities there is one chief assessor, with as many assistants as are necessary. New England is partial to a board, three being the usual number; Boston and Manchester have boards of nine assessors. Boards are also found in the Middle states. Greater New York has a board of five members; cities of the second class in New York state have boards of four members. Philadelphia has a board of three.¹ Baltimore for many years had a complicated system of boards, at the head of which was the appeal tax court; under the new charter this tax court remains with enlarged powers.²

Three methods of selecting the assessors find about equal favor: appointment by the mayor, appointment by the council, and election by popular vote. Appointment by the mayor is the usual plan in the larger cities—Boston, New York, Baltimore, Cincinnati, Milwaukee, St. Paul, Minneapolis, and Kansas City; but election by popular vote is more frequent in the middle-sized and smaller cities—Chelsea, Cambridge, Burlington, Camden, Buffalo and cities of the second class in New York state, Richmond, Des Moines, New Orleans, and San Francisco. Election by the council is restricted chiefly to Michigan, the east, and the south. The writer has found only two cities—Jacksonville and Oakland,—in which the head of the accounting department makes the assessment.

In Michigan and the eastern states the extension of

¹ Wharton School, City government of Philadelphia, 207. This Board of revision of taxes was formerly appointed by the Court of common pleas, but the last legislature made it elective by popular vote.

² Hollander, Financial history of Baltimore, 254-60, 363.

the tax-levy upon the assessment roll is most often made by the assessors, as also in Nashville and Salt Lake. In Bay City, Buffalo, Jacksonville, and Troy the apportionment is made by the comptroller; in Kansas City and Sacramento by the auditor; in Dubuque, and Savannah by the treasurer; in Wheeling by the collector; in New York city by the board of aldermen.¹ In the other cities as far as determined, where the apportionment is not made by the county it is the work of the city clerk.

Where the collection of taxes is a city function, it is usually in the hands of the city treasurer. In California and the Atlantic coast states a collector is frequently employed; also in Detroit, Wheeling and Louisville. Pittsburg has a collector of delinquent taxes only. In Portland (Ore.), and Little Rock the sheriff collects the taxes.

The board of equalization and other features connected with the property tax, together with a full discussion of the working of the various systems, will best be taken up in a separate paper on taxation.

4. THE ADMINISTRATION OF DEBTS.

As the management of revenues has been presented in the preceding section merely to show its place in the system of finance administration, so now will the management of debts be treated.

The most conspicuous feature in the management of city debts is the sinking fund commission. The usual

¹ "At such annual meeting the board of aldermen must . . . estimate and set down in a fifth column, to be prepared for that purpose in the assessment-rolls, opposite to the several sums set down as the valuation of real and personal property, the respective sums, in dollars and cents, to be paid as a tax thereon, rejecting the fractions of a cent. . . ."—Charter, sec. 910.

title is Commissioners of the Sinking Funds, but there are many variations. About fifty of the one hundred and two cities noticed in this paper are known to have such commissions, and probably a dozen more belong in the list about which information is not at hand.¹ In the majority of cases the commission is composed partly or wholly of members *ex officiis*, the treasurer, the comptroller, and the mayor being preferred in the order named. In Covington, Newport, and Portland (Me.), the presidents of the two branches of the council are included. In Boston the city auditor and the city treasurer are members of the commission and serve respectively as secretary and treasurer. In Cincinnati the city auditor is secretary of the commission but does not appear to be a member of it. In New York City the commission is composed of the "mayor, comptroller, chamberlain, president of the board of aldermen and chairman of the finance committee of the board of aldermen."

Where there is no commission, the treasurer is the person usually charged with the custody of the funds, though occasionally the clerk or the comptroller or the council itself. In such cases the investment of the fund is presumably directed by the council.

The functions of the commission sometimes include more than merely holding or investing the resources accumulated for paying debts at maturity. In Milwaukee, Louisville, Covington, Wheeling, and Jacksonville the commission negotiates the sale of bonds; it probably also manages their redemption. In nearly all Massachusetts cities and in Toledo and Milwaukee the commission estimates the amount required to be raised for payments on the principal and interest of the city debt. In Massachusetts, and perhaps elsewhere also, this esti-

¹ Atlanta established a sinking fund commission in 1899.

mate is compulsory and must be accepted by the council in making the budget.

When the negotiating of loans is not entrusted to the sinking fund commission, the chances are about even that it will be done by the treasurer, the comptroller, or a committee of the council; rarely it is done by the mayor or the clerk.

The few cases in which the commission makes the estimates of the debt charges are nearly equalled by those in which the treasurer makes the estimates and are surpassed nearly threefold by those in which the council makes the estimates, while the last are surpassed twice over by the number of comptroller's estimates.

For Washington and the District of Columbia the secretary of the treasury estimates the debt charges and the treasurer of the United States is the custodian of the sinking fund.

CHAPTER IV.

FINANCIAL RECORDS.

I. CRUDE SYSTEMS OF ACCOUNTS.

The financial accounts of cities exhibit every degree of crudity and excellence. There has been no central control and no uniformity, even in the cities of a single state. When every city is a law unto itself and the audit and control are as loose as has been noted in the previous chapter, the condition of the accounts can be better imagined than described. Before LaCrosse had its first comptroller in 1887 there were no accounts at all except a few pocket memoranda. The clerk had a good memory and relied on it. There was not even a record of the amount of bonds the city had issued. In 1895 the incoming clerk of Mobile reported as follows regarding the records left by his predecessor: "Beyond the aid of a cash book and the trial balance furnished me, I had absolutely nothing to guide me." Mayor Hopkins of Chicago said that before 1894 it was difficult to know the amount of resources and liabilities and that overdrafts could not be detected by the comptroller with facility. The mayor of Syracuse made a similar complaint in 1896. Of the accounts of New York city fifty years ago, Dr. Durand says: "While the broad outlines of the accounting system had been but little modified since a very early period, and were decidedly antiquated, each comptroller had made minor changes, especially in the extent and form of the published reports, so that it must have been well-nigh impossible for a citizen to get any definite view of the city's financial

progress from year to year.”¹ The system now existing may be accurate and secure, but it certainly is not intelligible. The Fassett committee² considered it “impossible for anyone, either in private life or in public office, to tell what the exact business condition of any city is” in the state of New York.

The committee report just quoted charges this condition first to the chaos of laws governing the cities. But cities like Omaha which are governed under well-arranged charters of recent date are little better. The chief cause is probably the same as that which explains the imperfections in the work of audit and control—mere crudity; most cities have no *system* of accounting and no one in authority ever combined the ability and the will to make one, or perhaps ever thought of making one.

The newly recognized class of public accountants, who in some states are examined and certified public authority,³ have already contributed to the improvement of municipal accounts. One firm⁴ recently investigated the methods of accounting in Chicago and published their findings in a pamphlet. Another accountant⁵ has arranged an excellent summary statement of receipts and expenses for the city of Newton, Mass. Still another⁶ has published a book giving forms of accounts

¹ Page 111.

² N. Y. Senate documents, 1891, no. 80, pt. 5, p. 20.

³ Four states have made provision for the certification and registration of public accountants: New York, Pennsylvania, Maryland, and California. The following are the references to the acts: New York, 1896, chapter 312; Pennsylvania, 1899, chapter 17; Maryland, 1900, chapter 719; California, 1901, chapter 213.

⁴ Haskins & Sells, of New York, Chicago and London.

⁵ Harvey S. Chase, of Boston, a member of the committee on uniform accounting of the National Municipal League.

⁶ F. H. Macpherson, of Windsor, Ontario. His book is published by the Bookkeeper Publishing Co., Ltd., Detroit, Mich. Though in-

for municipalities, with tabular computations of various kinds.

2. THE FUNDS.

One relic of primitive financiering which persists nearly everywhere is the separation of the city money into various funds, instead of throwing all the money into one balance in the treasury. Sometimes the separation exists only on the treasurer's books; sometimes certain funds are deposited in certain banks. It is like the merchant who keeps the money to pay his help with in one box, that for rent in another and for new goods in still another. The system takes its origin in the reluctance to depend upon a budget for the proper distribution of the revenue and upon the comptroller for the faithful execution of the budget. Here is an example from Iowa: "Any city within this state may levy a tax of not more than two mills on the dollar in addition to the maximum tax now authorized by law for the purpose of commencing a general system of sewerage in such city, and the money so raised shall constitute a sewerage fund, and shall be applied to no other purpose."¹ The Ohio constitution requires that "every law imposing a tax shall state distinctly, the object of the same, to which only it shall be applied."²

This results in what has already been described as the tax-levy budget; the items are not appropriations to be spent, but are fictitious personalities among which the revenue must be distributed the moment it is received, and between which borrowing, lending, and transferring

tended for Canadians, it would be of great value to any one who has to plan a system of accounts for a city that uses the general property tax.

¹ McClain's Annotated code, 1888, sec. 746.

² Art. xii, sec. 5.

may take place. The accounts are cumbered with a great number of book-keeping items so that it requires an expert to discover the actual expenditures of departments.

3. ORDINARY AND EXTRAORDINARY.

Another well-nigh universal defect in city accounts is the failure to distinguish recurring from occasional expenditure and income. Professor Adams considers this worth considering only in industrial departments, but admits that it is there of importance.¹ Only a few cities have been discovered by the writer which make this distinction in their accounts. One of them is Cleveland. There the terms "operating expenses" and "permanent improvements" are applied to expenditures throughout all departments. Receipts are not so termed, but the distinction is maintained. In one table (see Appendix) both receipts and expenditures are classified as "ordinary" and "extraordinary." In Boston the distinction is supposed to be maintained; the charter requires that current expenses shall not be met by loans unless the mayor certifies that in his opinion the public welfare requires it. In a summary table Oakland divides expenditures into "ordinary" and "extraordinary," but does not carry the division through the detailed accounts as given in the report. The same terms are required in the cities of Georgia, Savannah excepted, but with a strange perversion of their meaning; the law says that "the term 'ordinary current expenses' shall be construed to include all current expenses excepting only expenditures for education, for

¹ Finance, 210. The writer of this paper has expressed his opinion on the importance of maintaining this distinction throughout the accounts, in his article, "Suggestions for the study of Municipal Finance," in vol. x of the *Quarterly Journal of Economics*.

paving or macadamizing streets, and for payment of the principal and interest of the public debt, which shall be known as 'extraordinary expenses.'"¹ The bill recommended by the Fassett committee for a uniform system of accounts for the cities of New York provided that two columns should be given to each of eleven out of the eighteen items of expenditure; one for "salaries, repairs, supplies, and all other expenses," the other for land, new construction, etc.²

4. CLOSING ACCOUNTS.

In closing the accounts at the end of the year, there are two principles which may be followed. In French—for they have no names in English—they are known as *compte par exercice* and *compte par gestion*.³ The former requires that the accounts for a year be kept open after the year has expired until all expenses incurred during it have been met and all of the revenues arising from it come in. The *compte par gestion* requires that the year's accounts be closed promptly on the last day of the year, leaving the unpaid expenses and the uncollected income to appear in the next year's account. Few cities in the United States follow either principle thoroughly.

California cities have the *exercice*. Each year's money pays that year's debts. The year begins July 1, and books for the new year are opened on that day. But the books of the old year are kept open some weeks or months or years until everything is settled; no old debts or claims go into the new year's accounts. In the Oakland report for the year ending June 1, 1897, there

¹ Georgia Code of 1882, sec. 1672; Code of 1895, vol. I, sec. 720.

² N. Y. Senate document, 1891, no. 80, pt. 5, p. 22-47.

³ Stourm, *Le budget*, chap. v; Adams, *Finance*, 202.

are accounts for the six preceding fiscal years; for the earliest four there are neither receipts nor payments, only balances brought forward; for the next two small amounts are both collected and expended.

The writer is informed that the accounts of the District of Columbia are kept open two years after the close of the fiscal year.

The prevailing practice, however, is to shut off the accounts of the year at or near the close. Thirteen cities are reported as keeping the books open a few days longer—sometimes a definite period fixed by charter or ordinance, as in Providence, Cleveland, and Richmond, sometimes in violation of law or as a result of mere looseness. Occasionally, as in Haverhill, efforts are made to settle all accounts of the old year as far as possible before the year closes. The Manchester auditor sends out a notice about the first of December asking that all bills be in December 20. This all evidences a disposition to secure the advantages of both the *exercice* and the *gestion*, without adhering rigidly to either.

When bills falling due at the end of the year are allowed to go into the accounts of the next year, the door is open to certain abuses; bills may be deferred into the next year intentionally for the purpose of making a good showing or of carrying over an actual deficit. This has sometimes been carried so far as to develop a large floating debt. Oshkosh collects its taxes when the fiscal year is about five months spent. The intention of the framers of the charter doubtless was that the receipts be used to defray the expenses of the current year. But by the way just indicated the city has sometimes had a floating debt sufficient, with the expense of the five months, to absorb the entire receipts of the taxes, and therefore been obliged to depend on temporary loans the

year round. New York¹ and St. Paul do not receive the taxes which are designed to cover the expenses of the fiscal year until after the year is closed; the comptroller of St. Paul justifies the practice on the ground that the certificates of indebtedness make a good investment for the people of the city.

On the other hand, Indianapolis made an appropriation of \$21,578.73 in 1895 to pay bills brought over from 1894, so that the carrying over of a like sum into 1896 and following years might be avoided.

Any money remaining to the credit of an appropriation at the end of the fiscal year may or may not be left in that account for the new year. The cities are about evenly divided between these two methods. In New Jersey, Ohio, Michigan, and California, and some of the cities of Massachusetts, New York, and Wisconsin the balances are continued. In Illinois and the southern states they lapse. Generally in the largest cities—Boston, New York, Philadelphia, Chicago, St. Louis, Minneapolis, and Cleveland—the balances lapse; among the exceptions are Cincinnati and San Francisco, and Pittsburgh has recently joined them. Appropriations for works which are uncompleted are continued in Chicago, Evansville, Fall River, La Crosse, and probably also in some other cities where lapsing is the rule. Those departments whose funds are not liable to transfer, usually also retain their balances at the end of the year, carrying out the idea that such funds must always be kept sacred for their intended purposes. In Manchester, for example,

¹ Up to the time of the consolidation of Greater New York, Brooklyn and New York collected their taxes about the same time each year, but Brooklyn collected for the year ahead while New York collected for the year behind; the result was that for the first year of consolidation the property tax was not levied in Brooklyn. See *Annals*, x, 472.

the library appropriation does not lapse, though all others do.

5. REPORTS AND INSPECTION OF ACCOUNTS.

It is the universal custom to require all officers of cities to render reports to the council, or to the mayor who in turn transmits all reports to the council. Financial officers like comptrollers, treasurers, assessors, and sinking fund commissioners make reports independent of each other; and heads of departments often include statements of receipts and expenditures in their reports. Heads of executive departments report annually. The treasurer, the auditor or comptroller, and the collector of taxes if there be one, report more frequently,—usually once a month, sometimes once in three months, rarely once a week. The charter occasionally provides that the council or the mayor may call for a report at any time.

Power to inspect the accounts and verify the reports presumably always resides in the mayor or the council or both. Many of the published reports contain a formal approval of the accounts by a committee of the council. It is of course evident that under ordinary circumstances such inspection will be prefatory; but the possibility that it may be made searching has a wholesome effect.

Passing beyond the inspection of reports to the examination of accounts kept in each office, the writer has secured only meagre data. The simplest method of providing for this would be to have the comptroller inspect the accounts of all other officers and then let his accounts, which comprehend all the others, be in turn inspected by a committee of the council and verified by comparison with the reports sent to the council or the

mayor directly from the departments. But it has not been ascertained that any city follows just this method. In most instances as far as known, there is no inspection whatever, except when a special investigation is ordered.

The unreliability of a cursory inspection of the accounts of a city is illustrated by an incident in the history of New York under the Tweed regime. The comptroller's report for 1869 was not made public. But to quiet suspicion in the campaign of 1870 a few prominent citizens, among them John Jacob Astor, were invited to inspect the accounts in the comptroller's office. Stealing amounting to millions had been going on, but these gentlemen reported that "the financial affairs of the city under the charge of the comptroller are administered in a correct and faithful manner."¹

Many cities depend on inspection by expert accountants employed for short periods. This is the custom in Bangor, Holyoke, Elizabeth, Duluth, Minneapolis, Newport, and Mobile, and formerly in Syracuse. It is difficult to see what foundation this custom has except an imperfect charter which prevents putting such work in the hands of a permanent officer; the efforts of Syracuse to get away from it have already been noted. In Denver the examination is made by a committee of three appointed by the district court. New York city has two commissioners of accounts appointed by the mayor at salaries of \$5,000 each who make quarterly examinations of the accounts of the comptroller, chamberlain, and other officers.²

6. PUBLISHED REPORTS.

Under democratic government it is necessary that the

¹ Durand, 129, 130.

² Consolidated act of 1882, sec. 110; Greater New York charter, sec. 119.

public at large be given an opportunity to know the financial condition of the city. Since the overthrow of Tweed, the accounts of New York city have been open to the inspection of any tax-payer,¹ but this is a privilege very few have the time or the ability to avail themselves of to any advantage. Mrs. Green² tells how the people of the English town of four hundred years ago were called to the parish church by the tolling of a bell, to hear the mayor or treasurer present his accounts; the attendance was so large that extra seats had to be put in to accommodate the crowd. Now, however, the printed report is nearly universal. But it must be admitted that the public pay very little attention to these reports. City officers frequently reply to any suggestion for making the reports more intelligible, that nobody ever reads them anyway.

Rochester is the largest city in the United States that publishes no financial report whatever, unless it has recently begun the practice. The next largest is probably Memphis. Elizabeth publishes the proceedings of the council, and the financial reports appear there. The same was true of Syracuse before it came under the new law in 1900. Oshkosh formerly published a report, but does not do so now. Spokane publishes a statement in a newspaper. Knoxville and Vicksburg issue small folders. The writer has been unable to secure reports from Dallas, Des Moines, Paterson, Sioux Falls, Covington, Superior, and Toledo; he is informed, however, that Toledo publishes a report. Repeated requests have failed to secure reports or information of any kind from Memphis, and about seventy other cities that are not included in the list of one hundred and two; but reports

¹ Consolidated act of 1882, sec. 50.

² Town life in the fifteenth century, i, 138.

have been secured from New Albany, Ind., Harrisburg, Pa., Newport, Ky., and Utica, N. Y., that are not included in the list. According to this count, ninety-seven cities in the United States issue printed financial reports aside from what appears in newspapers. It is probable that a few other cities issue reports, which the writer has not been able to obtain.

Eighty-four of these reports are more or less pretentious documents designed for the information of the public. Thirty-four cities include the financial report in a volume or pamphlet with other documents; fifty-one make the financial report a document by itself. Youngstown made the financial report separate in 1896, but bound it with others in 1897. Two other cities issue volumes purporting in their titles to be financial reports, but which also contain other documents. In extent, the reports vary from the folders of Knoxville and Vicksburg, to the thousands of quarto pages printed in nonpareil issued by New York in the *City Record*, published daily by the city. Thirty-seven cities issue reports of over one hundred pages each.

In about three-fourths of the documents, the report of the comptroller or auditor is the only or the chief financial report published; sometimes a brief report by the treasurer, less often one by the clerk, is a part of the comptroller's report or is published along with it. A little over half of the cities publish the treasurer's report in some form or other, and a few, notably Albany, Baltimore, Burlington, Charleston, Savannah, and Somerville, make it the chief report. In Akron, Youngstown, Wheeling, Vicksburg, Little Rock, and Mobile, the sole financial report is that of the clerk. St. Louis includes in the annual volume the reports of the treasurer, the clerk, the comptroller, the auditor, the assessor,

and the collector, though the comptroller's report is sometimes published by itself. The report of the sinking fund commissioners is usually published. Albany makes it a separate pamphlet. The Newark financial report includes in one pamphlet reports by the comptroller, auditor, treasurer, and commissioners of the sinking fund. This is worse than useless; a comprehensive report by a single officer is preferable in every way.

On the side of subject-matter the most important part of a financial report, as far as the public is concerned, is the statement of receipts and expenditures. These are given with every degree of fullness. New York publishes in the *Record* a list of all the warrants drawn. Eleven other cities fill their reports with similar lists. Milwaukee, the largest of the eleven, devotes 316 pages to this purpose, distributing the items among the fifty-five funds. Detroit, the next largest, gives 536 pages, though a few pages are used for excellent condensed statements. The publication of such lists may be of some use, but it is so temporary that the practice of having them printed in the bound volume of the annual report cannot be justified.

The statement of receipts and expenditures serves its chief end only when it shows at a glance the amount of income and outgo, with subdivisions for the various departments. In about half of the reports there is no attempt whatever at a perspicuous arrangement. Thus the Atlanta report for 1895, the only one from that city at hand, contains the list of warrants, numbering nearly 4,000, arranged under the twenty-three departments; within each department they are in the order in which they are issued, with the date, the number of the warrant, the name of the payee, and the amount of the warrant. Besides a list of departments and the total ex-

pended by each, there is absolutely no other arrangement or information given regarding expenditures. The reports of some other cities are rendered still more unintelligible by transfers between funds and by book-keeping items which obscure even the gross amount expended by each department.

Another frequent defect is in the failure to arrange expenditures by departments or services. There is often a fund for "salaries," or a "general fund," or a contingent fund; out of these are paid expenses that should be charged to the construction of streets, the fire department, the repair of sewers and so on. The report then shows what is spent out of each fund and not what is spent for each service, and it may be impossible to make out, from a study of the report, how much any particular work cost.

To show how crude some of the reports are, an example is selected from Camden. In 1897 the city issued a document of ninety pages, containing the message of the mayor and reports of the various departments. There was a statement of assets and liabilities by the treasurer in four pages. The clerk gave the receipts of his office, mostly license fees, in one page. The commissioners of taxation gave the assessed valuation of property by wards in one page. Some of the departments stated the amounts they had expended, but not all did so. There was no statement of the receipts from taxes and no summary of expenditures; it was impossible to learn from the report the total amount the city had received or spent.

On the hopeful side, it is a pleasure to notice that departments of municipal statistics have been created in New York and Boston. The Boston department has

already issued several excellent documents. Chicago also now has a bureau of statistics which began the publication of quarterly reports this year. This development indicates that the kind of financial report wanted is not a copy of the city accounts, but some well-arranged statistics.

The most logical and thorough analysis of receipts and expenditures is found in the report of Cleveland. One of the tables, given in full in the Appendix to this work, is a model of arrangement.¹ The Oakland report has a table somewhat similar giving comparative figures for a series of years. The Boston auditor's report has long maintained a uniform set of tables of actual receipts and expenditures. Indianapolis issues an excellent brief report of twelve pages.

One desirable feature not often found is the budget of the year covered by the report, arranged in parallel columns with the actual expenditures and receipts of the year. Some of the reports containing this feature have already been noticed.² It would be desirable to have the budget for the following year also given, in the same table if possible. In a few reports the complete budget for the following year is given.

The most carefully constructed part of a city finance report is usually the statement of the debt. The exigencies of the bond market and the suggestion of

¹ This table, as well as other features of the Cleveland report, was the work of Mr. Albert F. Crosby, who served several terms as deputy auditor. The plan of the table was suggested by the writer of this monograph, first in a published article and later in correspondence with Mr. Crosby. The plan has been more fully developed by Dr. Leo S. Rowe and adopted in part by the Boston department of statistics, as well as in various reports issued by other cities. See *Quarterly Journal of Economics*, x, 455; *Annals*, xii, 436.

² See *ante*, pp 49, 50, 53.

dealers in municipal securities have doubtless been potent factors producing this result. They may also have had something to do with another feature of the reports, namely, that two-thirds of them give a statement of the city's assets and a similar proportion give statistics of the assessed valuation of property.

Only about a third of the reports indulge in any discussion whatever. When a new official makes a report, he often has something to say or to explain. After that he prefers to let the figures talk for themselves.

In many cities statements are published monthly. New York prints a voluminous quarterly report in the *Record*. New Orleans issues a complete report twice a year, but no annual report. Kansas City (Mo.) also issues reports semi-annually.

There are numerous instances of reports being published shortly before the city election. Under the old charter New York city published in the *Record* on the last day of August of each odd numbered year, a summary of the transactions of the preceding twelve months. The charters of Burlington, Camden, and Holyoke require a similar statement a few days before the election. A general law in Michigan calls for publication in a newspaper five days before election.

Cities differ greatly in the promptness with which they issue the financial reports after the close of the fiscal year. Sometimes they require only a few days. Boston issues the auditor's report in about two months. Cleveland requires four months. The annual report of the comptroller of New York city under the old charter appeared ten months after the year had expired.

7. UNIFORMITY OF ACCOUNTS AND REPORTS.

The lack of uniformity in city finance reports is well known. It is doubtful if any two cities keep their accounts or publish their reports on the same plan. This renders it very difficult to make comparisons between cities.

City officers have made attempts to remedy this defect ; but so far they have made no progress whatever. Conferences always end in the conclusion that forms of government and administration required by charter or long custom prevent uniformity of reports ; a few even insist that essential conditions are so different that uniformity is not desirable. In 1896, Mr. Crosby, the deputy auditor of Cleveland, in a letter published in "The Municipality and County," suggested that a meeting of municipal accountants be called to consider this problem, and that at this meeting a national association of municipal accountants might be formed. The publisher of the periodical immediately began correspondence with other officers on the subject, but the replies were so discouraging that no further steps were taken.

The Fassett committee¹ showed clearly the impossibility of comparing the reports of any two cities in New York state, and recommended a plan to remedy it. The proposed bill required that the fiscal year of all cities coincide with the calendar year. Each city should file an annual report with the state comptroller during the month of January, and the form of the reports were specified. The state comptroller should then tabulate the reports and publish them before the adjournment of

¹ Report, pt. 5, p. 21-56.

the state legislature. This report, and the reports of later commissions in the same direction, were referred to by Governor Roosevelt in his inaugural message in 1899. He recommended the establishment of "an unsalaried state municipal board which shall have no coercive power in shaping the policy of any city, but which shall have for its duties the securing of uniformity of accounting systems in the cities of the second and third classes," and the examining of bills before the legislature.

The constitutional amendments recommended by the National Municipal League¹ provide that "every city shall keep books of account. It shall also make stated financial reports at least as often as once a year to the state controller or other financial officer, in accordance with forms and methods prescribed by him," and that there shall be an audit of city accounts by state examiners. As was shown in the first chapter,² state administrative supervision of city accounts has already made a small beginning, and the need of its extension can scarcely be questioned.³ A notably successful example is found in Massachusetts. The state board of gas and electric light commissioners has prescribed forms of accounts for the cities and corporations that supply gas and electric lights, and published condensed statements in annual reports. The result is a series of reports that are reliable, intelligible and instructive, and from which it is possible to compare one establishment with another; the like does not exist in any other state.

¹ Art. iii, sec. 4.

² See *ante*, p. 15.

³ See the article on "Uniformity in municipal finance," by Professor C. W. Tooke, in *Municipal Affairs*, ii, 194-206. The same volume, pages 413, 414, contains a bibliography of state administrative control of cities, by Professor J. W. Jenks.

During the past two years a promising movement towards uniform accounting has been in progress through the coöperation of the National Municipal League, the American Economic Association, and many other societies.

¹ This subject is well covered in the report of a special committee of the American Economic Association found in the Papers and proceedings of the thirteenth annual meeting. The report was prepared chiefly by the chairman, Mr. M. N. Baker, of the Engineering News, to whom great credit is due for his efforts to further this movement. The National Municipal League at its meeting in Rochester in May, 1901, devoted an entire session to municipal accounts and reports; there was also a special conference of committees on municipal accounting. Full reports will be found in the volume of Proceedings.

CHAPTER V.

NOTES ON THE HISTORY OF CITY FINANCES.

The financial procedure which has been described in the foregoing pages is of recent growth ; it has come in the latter half of the nineteenth century along with the large cities themselves. The leading features of this growth in certain cities and sections of the country will now be noted in outline, with some reference to the materials available for its study.

I. PHILADELPHIA AND PENNSYLVANIA.

The general history of Philadelphia is well treated by two of her citizens, Edward P. Allinson, and Boies Penrose, in the volume entitled, "Philadelphia, 1681-1887," in the series of monographs published by Johns Hopkins University. But as the authors are lawyers rather than economists, the financial history of Philadelphia remains to be studied and written. The book prepared under the direction of Professor Edmund J. James by members of the senior class in the Wharton School of finance and economy, on "The city government of Philadelphia," also makes an excellent introduction to the study of the financial system of to-day.

The act of 1712, which gave Philadelphia the power to levy taxes, contained a rudimentary budgetary system. "Six assessors were to be chosen annually by the voters of the city, who, in conjunction with the mayor, recorder, and aldermen, annually . . . were to calculate the amount of the public debt, and what sums were necessary for repairing the streets, and for the other purposes already mentioned"—work-house, wharves, and markets.

"They were to appropriate certain sums to each item, and within six weeks afterward lay the rate."¹

Improvements followed the charter of 1789. The appropriation ordinance of 1800 levied a tax for seventeen enumerated purposes, appropriated other income for six purposes, authorized a loan for \$10,000, and directed that a separate account be kept for each appropriation. But there was looseness somewhere, for in the seven years following, the floating debt grew from \$4,000 to \$40,000.² In the thirties ordinances were passed prohibiting transfers and expenditures in excess of appropriations,³ but they availed little to keep expenditures within the income. Everything was then in the hands of the joint standing committee on finance.⁴ The charter of 1854 created the office of controller, and required him to make an annual estimate of expenses to the council; but the council paid no attention to them, and the finance committee made the budget as before.⁵ The act of 1879 placed the estimating of the revenue entirely in the hands of the controller, and prohibited any payments in excess of them. This checked the hitherto almost interrupted course of deficits and floating debts, but did not stop it entirely, as the controller would sometimes over-estimate the revenue.⁶ The Bullitt charter which went into force in 1887, introduced the existing system⁷; it gave the controller larger power in carrying out the budget, though no more power in making it.

¹ Allinson & Penrose, Philadelphia, 28, 29.

² *Ibid.*, 115, 116.

³ *Ibid.*, 126.

⁴ *Ibid.*, 128.

⁵ *Ibid.*, 232.

⁶ *Ibid.*, 242-4.

⁷ See *ante* p. 53.

The annual reports of the controller from the establishment of his office to date, together with the vast amount of other material available, make the financial history of Philadelphia a rich field for investigation. The same is true, only to a less degree, of the other large cities of Pennsylvania — Pittsburg, Allegheny, Scranton, Erie, etc.

2. BOSTON AND NEW ENGLAND.

Boston's budgetary system begins with the incorporation of the city in 1822. It was a committee system from the first and remained such with no essential change in procedure till 1885. Then some amendments to the charter gave the mayor and the auditor a preponderating share in making the budget and the exclusive control over it when once enacted. In 1898¹ a board of estimate and apportionment was established on the New York plan, composed of the mayor, the presidents of the two branches of the council and two citizens chosen by the popular vote. It is difficult to see why the auditor was excluded from this board. However the board itself was abolished within a year after its creation.

The other cities of Massachusetts have followed in the wake of Boston's development, but have not departed so far from council government. In Worcester, as provided by the charter of 1892, the council has no power to increase the estimates.

The Massachusetts cities publish fuller and better documents than the cities of any other state. The Boston documents, all features being considered, are the best in the United States and the city has recently pub-

¹ Chap. 434, acts of 1898.

lished the records of the old town of Boston before 1822. In New England outside of Massachusetts, Providence and New Haven exhibit the newer phases of financial administration and issue excellent reports. Manchester and Portland issue voluminous reports and have a financial history running back over forty years.

For the study of financial history this mine of information has been worked only in a few spots. In 1900, Mr. H. K. Stokes as a candidate for the doctor's degree from Brown University, submitted a thesis on "A century of Providence's finances," which he has been revising with a view to its publication. There are excellent general histories of Boston, New Haven, and other New England cities, but no extended study of their finances.

3. NEW YORK.

The first exhaustive treatment of the financial history of an American city was "The finances of New York city," by Dr. E. Dana Durand, which appeared in 1898.

Before 1830, according to Dr. Durand, there was in New York "no system of appropriations in advance of expenditure, either annual or special."¹ But as the state legislature retained from the beginning the privilege of making the annual tax levy, the city government had to make some estimate of expenses in order to apply for the proper tax law.

The charter of 1830 gave a beginning to real budgets for New York in these words: "Annual and occasional appropriations shall be made by proper ordinances of the common council, for every branch and object of city expenditure." The municipal convention which prepared the charter said of this section that it would "bring the whole disbursements of the city annually be-

¹ The finances of New York city, 29.

fore the Corporation and their constituents," showing that they had grasped the idea of a budget. But the intention was poorly carried out. The budget year did not coincide with the official year and the outgoing council would spend an undue proportion of the appropriations before its term expired. Large additional appropriations became the regular thing, and floating debts accumulated.¹ From 1850 to 1873 the system went through kaleidoscopic changes. In 1850 the council year was changed to coincide with the fiscal year. In 1853 transfers were prohibited.² In 1856 the legislature altered to suit itself the tax-levy sent up by the city council.³ Independent commissions and boards were created with power to make their own budgets, subject only to correction by the state legislature. "In 1867 it was enacted that thereafter the estimates should be prepared by the mayor and comptroller, and after being presented to the council should be forwarded to the legislature within three weeks, whether the council had voted on them or not," and a three-fourths vote was required of the council on any appropriation or expenditure.⁴ In 1870 the board of estimate and apportionment was created, with entire power over the budget.⁵ The proposed charter of 1872 would have restored to the council the power to decrease the estimates.⁶ But the charter enacted in 1873 gave the council "advisory power in modifying the appropriations."⁷

¹ *Ibid.*, 47-51, 56.

² *Ibid.*, 76, 77, 89.

³ *Ibid.*, 127, 128.

⁴ *Ibid.*, 160.

⁵ The budgetary system between 1873 and 1898 is described by Durand in chapter x, and the accounting system in chapter xii.

⁶ Charter, sec. 226.

⁷ Durand, 88.

Then for twenty-five years the system remained without important changes. The department estimates were made in October. The board of estimate and apportionment made the provisional estimate by November first. The council might make changes by a three-fourths vote; but they could be overruled by the smaller board, and always were so overruled in the final estimate which was passed at the very end of the year. The budget was not complete: the income from liquor and theatrical licenses was disposed of separately; and all expenditures of the dock department remained outside of the budget, being met by the issue of bonds.¹

The present charter makes only a slight change. The board of estimate and apportionment passes the estimates only once. The council may reduce the items by a three-fourths vote, but not increase them. If the mayor vetoes the action of the council, it may overrule him by a three-fourths vote, though it was five-sixths when the charter was first put into operation. As the mayor is a member of the board of estimate and apportionment, the change will probably be even less in practice than in form.²

The central feature of the financial administration of New York is clearly the board of estimate and apportionment, with effectual power to make and carry out the budget. Though invented by the Tweed ring to enable the inner circle of the ring to plunder the city treasury without interference from others, it has not only been retained in the city of its origin, but has been adopted extensively elsewhere. The state of New York first extended it to Troy and Albany, and later by the act of 1898, to all cities of the second class; this act embodies

¹ *Ibid.*, 97.

² *Ibid.*, 157.

the most approved system of financial administration now in existence, and in view of its importance the chief financial provisions are given in the Appendix to this study. Similar financial boards have been created in cities in several other states. A subordinate feature of the New York system has been still more extensively followed, namely, depriving the council of power to approve claims and order payments from the treasury and vesting it entirely in the executive officers.

In the attractiveness of their financial history and the facilities for its study, the cities of New York, other than the metropolis, rank about as follows: Albany, Buffalo, Troy, Syracuse, Utica, Rochester.

It might be mentioned here that the cities of New Jersey have been strongly influenced by the example of New York. They are not inviting, however, to the investigator in city finance; there is only an occasional feature to commend in their financial systems, and they publish few or no documents. These last statements apply to Delaware also.

4. THE SOUTH.

Baltimore, though the second in size of the southern cities, has the longest and richest history, and has developed the most advanced financial system. Dr. J. H. Hollander has made this history accessible to all in his excellent book, "The financial history of Baltimore." One of the first ordinances passed by the newly created city of Baltimore in 1797, established the offices of register and treasurer, with such duties as these titles would indicate. But in 1798 the office of treasurer was abolished and its functions added to those of the register.¹ The office of comptroller was created just fifty years

¹ Hollander, *op. cit.*, 53.

later,¹ and the board of estimates just a hundred years later, but the register has always been the chief financial officer. During the period from 1818 to 1856, budgetary procedure became sufficiently definite to be traceable;² as nearly everywhere else at that time the budget was framed by a committee of the council. The charter of 1897 gives the board of estimates power to make the budget, permitting the council only to reduce items. There are several provisions designed to prevent deficits; one of them is that there must be a contingent fund of \$50,000.³

Virginia has a budgetary system for cities and towns which runs back to the first half of the nineteenth century.⁴ The Richmond system in its present form is about a quarter of a century old,⁵ and its working can be traced in the brief but excellent reports of the city auditor.

The city of New Orleans had regular budgets as early as 1850, and perhaps earlier.⁶ In 1877 an act was passed which is evidence that deficits had become a crying evil—perhaps only during the carpet-bag régime. The act, passed in extra session of the legislature, required that the budget of the then current year should be revised and the expenditures reduced to ninety per cent. of the estimated receipts. Thereafter not more than ninety per cent. of the estimated receipts were to be appropriated in advance, and the receipts from licenses were not to be estimated at a greater sum than was

¹ *Ibid.*, 97.

² *Ibid.*, 53, 54, 98, 205-7, 351-4.

³ *Ibid.*, 364, 365.

⁴ Virginia code of 1849, p. 286.

⁵ Virginia code of 1887, sec. 1043.

⁶ Revised statutes of Louisiana, 1856, p. 375.

received the preceding year.¹ The charter of 1882² allowed only seventy-five per cent. of the estimated revenue to be appropriated ; the remaining twenty-five per cent. as it came into the treasury, and all uncertain or irregular receipts must be devoted to improvements. The charter of 1896 allows the appropriation of eighty per cent. of the estimated revenue, but otherwise makes no change in the financial procedure. The council nominally directs all the financial machinery ; but everything passes through the hands of the comptroller, and a strong man in that office would necessarily become the real directing power, notwithstanding the fact that city councils are generally more capable in the south than in the north.

St. Louis, the largest city in the south, has an old-fashioned and incoherent financial system. The finances are administered by committees of the council in a way which has been given up in every other great city in the United States. The reports are not satisfactory.

General laws relating to the financial administration of cities were passed by Tennessee in 1875 and 1883, by Missouri in 1885, and by Kentucky in 1894.

The southern cities publish few and meagre documents, so that information about them cannot be secured easily at a distance. But one who could use their manuscript records would doubtless find plenty of material for tracing their financial history—unless their records have been destroyed, as happened to Jacksonville by fire a few months ago.

A recent volume in the Johns Hopkins University Studies, "Studies in state taxation," edited by Dr.

¹ Acts of Louisiana, 1877, extra session, p. 107.

² In Vorhis' Revised laws of Louisiana, 1884, p. 371.

Hollander, will doubtless be invaluable to those who may enter upon the study of local finance in the south.

5. THE CENTRAL STATES.

Ohio has no uniform system, but clearly exhibits the general tendency, as shown in the 'charters' of three cities. The Cincinnati system was established in 1883, and is but little removed from pure council government. The Cleveland law was passed in 1891, and gives greater prominence to the executive. Dayton, in 1892, established a board of city affairs with powers much like the New York boards of estimate and apportionment.

Indiana has for several years imposed upon her large cities a modern system. The comptroller and the mayor make the budget; the council is not allowed to increase the estimates; additional appropriations may be made by a two-thirds vote on the recommendation of the comptroller; and the comptroller holds the disbursements and the contracts within the appropriations.¹

An important chapter in the development of city budgets is found in the Illinois law for the government of cities and villages which was passed in 1872, carrying out the requirement of the constitution of 1870, that such corporations should be governed by general laws. The sections relating to the budget are given in full in Appendix F. The main features of this law had been in operation in Chicago since 1854; they were now made general over the state. But Illinois legislation has exercised a great influence throughout the northwest, and this law finds its greatest importance in the extent to which it has been imitated. Its provisions and its phraseology are found to-day more or less closely copied in the statute books of seven other states: Michigan

¹ See Appendix D.

followed it in 1873, Colorado in 1877, Wyoming in 1886, Nebraska in 1887, Dakota in 1887, (then a territory, now two states), and Montana in 1895. A search through the journals of the Illinois legislature and through contemporary newspapers, shows that these provisions regarding the budget attracted no attention whatever; they went through as reported by the senate committee on municipalities. It is fitting that the name of Mr. J. K. Edsall, the chairman of the committee, should be associated with a measure of such far-reaching importance.

Michigan, which followed the Illinois law least closely of the states above named, provided for a budget that would be complete, appropriating all the resources, including loans and the proceeds of special assessments, and covering all expenses. But this general law did not apply to charter cities, and among these are all of the large cities of the state.

Wisconsin and Iowa are nearer like Ohio and Michigan, than Indiana and Illinois. They have moderately good general laws for the government of cities, but special charters still remain in force. Minnesota and Kansas have not even made this attempt at a uniform system. Nebraska has general laws that are in reality special charters. In the light of present knowledge, these states would do well to compel all of their larger cities to come under general laws, after the plan of that for cities of the second class in New York. But the hopeful feature of the present situation, is that the multiplicity of forms of government may add to our knowledge.

The printed documents of these cities in the central states would enable the investigator to get only a very fragmentary knowledge of their financial history. But

the investigator who does his work on the ground now can have the satisfaction of getting much material on their early history from the persons who had a part in making it, and thus rescuing it from oblivion. This last statement is still more true of the cities in the next group.

6. CALIFORNIA AND HER NEIGHBORS.

California has matured a municipal system with numerous peculiarities. The legislation of 1883 is the basis of it, though San Francisco adopted a special charter in 1898. The financial history of a California city would be of great value. The published reports are excellent.

The writer has seen some indications that the neighboring states, in the mountain region as well as on the coast, have been much influenced by California's example in shaping the financial systems of their cities. But the prevalence of special charters in these states, most of them not easily obtainable, and the lack of documents of any kind in many cases have prevented fuller investigation.

7. SUMMARY.

The financial administration of the large cities of the Atlantic coast began taking on the present form about a hundred years ago; it became sufficiently differentiated to have a complete set of officers and a definite procedure during the decade preceding the Civil War; it has taken on some of the leading features during the last thirty years.

Up to thirty years ago, committees of the council directed the work down to the minutest details. Since then the largest cities have restricted the council to work that is legislative in character, committing admin-

istration to the executive officers. The executive officers frame the budget and submit it to the approval of the council; beyond granting its approval, the council has nothing to do with allowing bills or paying out money, except to regulate the procedure. There is a decided tendency to commit the administrative direction of the finances to an ex-officio board composed of the mayor, the comptroller, the treasurer, and a few other high officials.¹

This has made the budget the central feature of each year's administration. In the beginning the only budget was the levy of a general property tax to supplement the other revenues; there was no forecast of expenditures; the council appropriated the money as the bills were presented. The budget is now an official forecast of all revenues, including the levy of taxes, and the appropriation of these revenues in specific sums for specific purposes; in some cities the budget covers the borrowing of money and the construction of permanent works, thus bringing within its scope all the financial transactions of the year. State legislatures and city councils have striven to devise a procedure that will secure the fairest and fullest and wisest consideration of all the interests of the city in the making of the budget, and after it is made, a reasonable adherence to it by all departments of the city government.

The chief accounting officer, usually called the comp-

¹ Though this board is purely an American growth and has been adopted with no thought of imitating a foreign example, yet it is strikingly like the magistracy of a German city. On this see chapter V of Albert Shaw's *Municipal government in continental Europe*; also an article by Professor Edmund J. James, *The government of a typical Prussian city—Halle a/S*, in *Annals*, xv, 313. One of the semi-official booklets containing the *Städte-Ordnung* of one or more Prussian provinces can be had for a small sum.

troller, has risen in importance. He has a large share in making the budget, sometimes by law and sometimes because no one else knows enough to do it. In the newest systems he has a check on all financial transactions of the city, including the commissioners of the sinking funds and the assessors and collectors of taxes, with large powers of supervision. The treasurer is becoming relatively less important.

Cities usually publish annual financial reports in volumes or pamphlets. These, like the accounts on which they are based, vary greatly in quality. Considerable improvement has been made recently and much more may be expected in the near future. This subject, like every other connected work with city government, is now being carefully investigated.

The financial history of our cities offers a rich field to the investigator, nearly all unworked—one might almost say, unexplored. The two books that have appeared show what can be done. Every educational institution where instruction is given in public finance can find an abundance of original sources for its students to work upon if it will turn its attention to city finance.

The financial system of a city is in many ways subordinated to, and a part of, the financial system of the state. The general subject of local finance in the United States has the state for its larger unit, and the investigation of any part of local finance must begin here. City finance, however, is of much greater importance than that of any other local body, even the state itself aside from the city. Each city, moreover, has an individuality of its own which differentiates it from all other cities, even those in the same state under the same laws. The city, therefore, must be worked out as a unit by

itself, but it can be gotten at to advantage only after working out the larger unit of the state. This is, of course, pre-eminently true of taxation. There is already a voluminous literature on state systems of taxation; that their history has not been neglected is shown by the lists of publications of the American Economic Association, Columbia University, and Johns Hopkins University.

APPENDICES.

A.—LIST OF CITIES.

All of the cities in the United States that are mentioned in the foregoing paper are found in this list. It includes all that had a population of over 80,000 in the census of 1900, besides some smaller ones; only eight were omitted that had a population of over 60,000. The selection was determined chiefly by the facility with which information about them could be obtained, though a few were omitted and a few were included to make the list more representative of the entire country.

The figures for population are taken from Census bulletin, No. 65, of the Twelfth census of the United States.

Sometimes there is no clearly defined head to the accounting system of a city. In such cases the officer of greatest importance is named, or is named first among others. Importance depends on several things: auditing claims, drawing orders on the treasury, keeping accounts of various kinds, publishing the financial report, attending to the indebtedness, preparing the annual estimates, holding expenditures within the limits set by the budget, etc.

<i>City.</i>	<i>Population.</i>	<i>Chief Accounting Officer.</i>
Akron, O.	42,728	Clerk
Albany, N. Y.	94,151	Comptroller
Allegheny, Pa.	129,896	Comptroller
Atlanta, Ga.	89,872	Comptroller
Augusta, Ga.	39,441	Auditor
Baltimore, Md.	508,957	Comptroller
Bangor, Me.	21,850	Auditor
Boston, Mass.	560,892	Auditor
Buffalo, N. Y.	352,387	Comptroller
Burlington, Vt.	18,640	Mayor, three auditors
Cambridge, Mass.	91,886	Auditor
Camden, N. J.	75,935	Clerk
Canton, O.	26,189	Clerk
Charleston, S. C.	55,807	Mayor
Chelsea, Mass.	34,072	Auditor
Chicago, Ill.	1,698,575	Comptroller
Cincinnati, O.	325,902	Auditor
Cleveland, O.	381,786	Auditor
Columbus, O.	125,560	Director of Accounts
Covington, Ky.	42,938	Auditor
Dallas, Tex.	42,638	Auditor

Dayton, O.	85,333	Comptroller
Denver, Col.	133,859	Auditor
Des Moines, Ia.	62,139	Auditor
Detroit, Mich.	285,704	Controller
Dubuque, Ia.	36,297	Auditor
Duluth, Minn.	52,969	Comptroller
Elgin, Ill.	22,433	Clerk
Elizabeth, N. J.	52,130	Comptroller
Erie, Pa.	52,733	Controller
Evansville, Ind.	59,007	Comptroller
Fall River, Mass.	104,863	Auditor
Ft. Wayne, Ind.	45,115	Comptroller
Grand Rapids, Mich.	87,565	Comptroller
Haverhill, Mass.	37,175	Auditor
Hoboken, N. J.	59,364	Comptroller
Holyoke, Mass.	45,712	Auditor
Indianapolis, Ind.	169,164	Comptroller
Jacksonville, Fla.	24,429	Recorder, Comptroller
Jersey City, N. J.	206,433	Comptroller
Kansas City, Kan.	51,418	Clerk
Kansas City, Mo.	163,752	Comptroller
Knoxville, Tenn.	32,637	Comptroller
LaCrosse, Wis.	28,895	Comptroller
Leavenworth, Kan.	20,735	Clerk
Little Rock, Ark.	38,307	Clerk
Los Angeles, Cal.	102,479	Auditor
Louisville, Ky.	204,731	Comptroller, Auditor
Lowell, Mass.	94,969	Auditor
Lynn, Mass.	68,513	Auditor
Manchester, N. H.	56,987	Auditor
Memphis, Tenn.	102,320	*
Milwaukee, Wis.	285,315	Comptroller
Minneapolis, Minn.	202,718	Comptroller
Mobile, Ala.	38,469	Clerk
Nashville, Tenn.	80,865	Recorder, Comptroller
Newark, N. J.	246,070	Auditor, Comptroller
New Haven, Conn.	108,027	Controller
New Orleans, La.	287,104	Comptroller
New York, N. Y.	3,437,202	Comptroller
Norfolk, Va.	46,624	Auditor
Oakland, Cal.	66,960	Auditor
Ogden, Utah	16,313	Recorder, Auditor

* A careful examination of the Acts of Tenn., 1879, ch. 11, and of 1893, ch. 95, does not make it clear whether the mayor, as the chief executive officer, the vice-mayor, or some other officer employed by the board of fire and police commissioners, actually has charge of the accounts.

Omaha, Neb.	102,555	Comptroller
Oshkosh, Wis.	28,284	Comptroller
Paterson, N. J.	105,171	Comptroller
Peoria, Ill.	56,100	Comptroller
Philadelphia, Pa.	1,293,697	Controller
Pittsburg, Pa.	321,616	Controller
Portland, Me.	50,145	Auditor
Portland, Ore.	90,426	Auditor
Providence, R. I.	175,597	Auditor
Pueblo, Col.	28,157	Auditor
Richmond, Va.	85,050	Auditor
Rochester, N. Y.	162,608	Comptroller
Rockford, Ill.	31,051	Clerk
Saginaw, Mich.	42,345	Controller
Salem, Mass.	35,956	Auditor
Salt Lake City, Utah	53,531	Recorder, Auditor
San Antonio, Tex.	53,321	Auditor
San Francisco, Cal.	342,782	Auditor
Savannah, Ga.	54,244	Clerk
Scranton, Pa.	102,026	Controller
Seattle, Wash.	80,671	Comptroller
Sioux Falls, S. D.	10,266	Auditor
Somerville, Mass.	61,643	Clerk, Auditor
Spokane, Wash.	36,848	Comptroller
Springfield, Ill.	34,159	Comptroller
St. Joseph, Mo.	102,979	Comptroller, Auditor
St. Louis, Mo.	575,238	Comptroller, Auditor
St. Paul, Minn.	163,065	Comptroller
Superior, Wis.	31,091	Comptroller
Syracuse, N. Y.	108,374	Comptroller
Tacoma, Wash.	37,714	Controller
Toledo, O.	131,822	Auditor
Troy, N. Y.	60,651	Comptroller
Vicksburg, Miss.	14,834	Clerk
Washington, D. C.	278,718	Auditor
Wheeling, W. Va.	38,878	Clerk
Wilmington, N. C.	20,976	Clerk
Worcester, Mass.	118,421	Auditor
Youngstown, O.	44,885	Clerk

B.—WHEN THE BUDGET YEAR BEGINS.

JANUARY 1: Albany, Atlanta, Augusta, Baltimore, Charleston, Chelsea, Chicago, Cincinnati, Cleveland, Columbus, Covington, Denver, Elgin, Fall River, Ft. Wayne, Haverhill, Indianapolis, Jacksonville, LaCrosse, Leavenworth, Little Rock, Lowell, Man-

chester, Memphis, Milwaukee, Minneapolis, Nashville, Newark, New Haven, New Orleans, Newport, New York, Ogden, Omaha, Peoria, Philadelphia, Portland (Ore.), Richmond, Rochester, Rockford, Salt Lake, Savannah, Seattle, Somerville, Spokane, St. Paul, Syracuse, Tacoma, Toledo, Troy, Vicksburg, Wheeling.

JANUARY 23 : Knoxville.

FEBRUARY 1 : Boston, Camden, Pittsburg.

FEBRUARY, 3d Monday : Duluth.

MARCH 1 : Allegheny, Bangor, Dayton, Dubuque, Springfield, Wilmington.

MARCH 16 : Youngstown.

MARCH 20 : Mobile.

MARCH 21 : Paterson.

MARCH, 3d Tuesday : Akron, Canton.

APRIL 1 : Des Moines, Evansville, Kansas City (Kan.), Portland (Me.), Pueblo.

APRIL, 1st Monday : Erie, Scranton.

APRIL, 3d Monday : Kansas City (Mo.), St. Joseph.

APRIL, 2d Tuesday : St. Louis.

MAY 1 : Camden, Dallas.

MAY, 1st Monday : Hoboken.

JUNE 1 : San Antonio.

JULY 1 : Buffalo, Detroit, Elizabeth, Los Angeles, Norfolk, Oakland, Saginaw, San Francisco, Washington.

AUGUST 1 : Grand Rapids.

SEPTEMBER 1 : Evansville, Louisville, Sioux Falls.

OCTOBER 1 : Oshkosh, Providence, Superior.

DECEMBER 1 : Cambridge, Holyoke, Jersey City, Salem, Worcester.

DECEMBER 21 : Lynn.

C.—SELECTIONS FROM THE APPROPRIATION AND TAX ORDERS OF THE CITY OF BOSTON FOR THE FINANCIAL YEAR 1897-98.

From the Auditor's Report, pp. 322, 323.

Ordered, That to meet the current expenses of performing the duties and exercising the powers of the city of Boston and the county of Suffolk, payable during the financial year 1897-98, beginning with the first day of February, 1897, and ending with the last day of January, 1898; the respective sums of money hereinafter specified be and the same are hereby appropriated for the several departments, and for the objects and purposes hereinafter stated. . . .

Ordered, That the appropriations hereinafter specified, except those for the Water Department, be met out of the money remaining as a general balance in the treasury at the close of the thirty-first day of January, 1897, not including any money raised by loan or needed to carry out the requirements of any statute, gift, trust, or special ap-

propriation, and out of the income of the current year, other than that from the waterworks, and taxes to the amount of \$12,111,196.

Ordered, That the income received from the Water Works be applied, so far as required, towards meeting the appropriations herein-after specified for the Water Department.

Ordered, That to provide the said amount of taxes, the sum of \$12,111,196, be raised by taxation on the polls and estates taxable in the city of Boston. . . .

Ordered, That to provide temporarily money to meet the appropriations aforesaid, the City Treasurer issue and sell, at such times and in such amounts as he may deem best, bonds, notes, or certificates of indebtedness of the city of Boston, not exceeding seven million dollars in the total, in anticipation of the taxes of the current municipal year. . . .

Ordered, That the City Auditor, from time to time during the year, may, with the approval of the Mayor, make transfers within any department from the appropriation for one object to that for any other object; and may, with the further approval of the Committee on Finance, make transfers from the reserved fund to any appropriation for current expenses of a department; and that said Auditor may, with the approval of the Mayor, between December 1, 1897, and February 1, 1898, make transfers from any appropriation to any other appropriation, and apply any of the income and taxes not disposed of in closing the accounts for the financial year.

D.—THE NEW YORK SYSTEM.

Laws of New York, Chap. 182. An act for the government of cities of the second class. Became a law March 31, 1898.

The following extracts embody the leading features, relating to finance. Passages enclosed in brackets [] have been omitted in the law as amended. Where a small figure is inserted, the passage at the bottom of the section prefixed by the same figure has been added by an amendment. Where the small figure is enclosed within the brackets, the passage at the bottom prefixed by the same figure has been substituted for the bracketed passage. Sections 65 and 83 were amended by Chapter 581, Laws of 1899. Chapter 415, Laws of 1900, changed the wording of § 96 nearly throughout and greatly increased its length; but the sense was changed in few places, while the additions were partly to adapt the law better to local conditions and did not improve it as a model for cities in other states to follow; therefore only those alterations are given here at the end of the section which modify it in principle.

§ 64. The comptroller shall superintend the fiscal concerns of the city, and manage the same pursuant to law and the ordinances of the common council. He shall keep a separate account with every de-

partment for which funds are specially raised by tax, or for which funds are raised by assessment for local or other improvements. He shall require all drafts for the payment of any claims against the city to state particularly against which of such funds the drafts are drawn, and shall not permit any of such specific funds to be overdrawn, nor permit moneys to be drawn from one fund to pay the claims chargeable to another.

§ 65. The comptroller shall prescribe the form of all claims to be presented against the city, and the form and substance of the affidavit to be appended thereto and sworn to by the claimant. Whenever any person intends to present for payment a claim against the city, [except a claim for a fixed salary, for the principal or interest on a bonded or funded debt, or for damages caused by misfeasance or negligence,] he shall prepare and verify it, and then procure the approval as to the form thereof, in writing, of the department or officer whose action gave rise or origin to the claim, and the same shall then be presented to the comptroller for his examination and audit.¹ The comptroller shall, once in every two weeks, cause all claims which have been presented to him² to be printed (except the verification thereon) and numbered, and copies thereof to be distributed to the mayor, to each member of the common council, to the head of each department and to every taxpayer entitled thereto under section four hundred and seventy-two of this act. He shall take no action upon any claim until five days after such distribution, and when he shall have taken action thereon, he shall cause copies of all claims and his action upon them, with any reason for such action which he may have to give, to be sent to each, the claimant and the common council. If the claimant be dissatisfied with the audit, he may appeal to the board of estimate and apportionment, by serving notice of appeal, in writing, upon the comptroller and the common council at any time before the first regular meeting of the common council that is held after he receives the comptroller's audit. If the common council or any taxpayer be dissatisfied with such audit, it or he may appeal to the same board, on behalf of the city, in like manner, by serving notice of appeal upon the claimant and the comptroller and the treasurer within ten days after the meeting of the common council at which such claims shall have been reported by the comptroller. The board of estimate and apportionment shall make rules for the procedure upon the hearing of such appeals, and the decision and audit of that board, after hearing upon the appeal to it, shall be final and conclusive as to the amount of the claim; but if there be no appeal from the original audit, it shall in like manner be final and conclusive. Upon the appeal herein provided for, the treasurer shall take the place of the comptroller as a member of the board. The comptroller, and the board of estimate and apportionment upon an appeal to it as herein provided, shall have authority to take evidence and examine witnesses in reference to the claim, and for that purpose

may issue subpoenas for the attendance or witnesses. . . . When a claim has been finally audited, it, with the certificate of the comptroller, or in case of appeal, with the certificate of the board of estimate and apportionment endorsed thereon, shall be filed in the office of the treasurer, and remain a record therein.³

¹ ; but this shall not be required as to a claim for a fixed salary, for the principal or interest on a bonded or funded debt, or for the regular or stated compensation of clerks, teachers, police officers, firemen or appointees in any of the departments, or for work performed or materials furnished under contract with the board of contract and supply, or as to claims or bills audited and allowed by the department of public instruction.

² for audit

³ All claims and bills which are audited by any board or department which has power to audit bills, and all warrants and drafts drawn in payment of any claims or bills against the city, must be presented to the comptroller to be countersigned by him before they are paid from the city treasury; and the treasurer shall not pay any such claims, bills, warrants or drafts unless they are countersigned by the comptroller. A list of all bonds issued by the city shall be kept in the comptroller's office where it shall be open to the inspection of any citizen; and when any bonds are paid by the treasurer, they shall be presented by him to the comptroller for cancellation.

§ 67. The comptroller shall keep an account between the city and the treasurer, and for that purpose he shall procure from the banks in which the city's funds are deposited by the treasurer, monthly statements of the moneys which have been received and paid out on account of the city and he shall examine the treasurer's books, accounts and bank books and ascertain as to their correctness and report on the same monthly to the common council.

§ 68. The comptroller shall on or before the first day of January in each year, publish in book form or pamphlet form, verified by his oath or affirmation, a full and accurate statement of the financial condition of the city, showing the amount of receipts and expenditures of the city since the last annual report. . . .

§ 69. The comptroller shall have, under the direction of the board of estimate and apportionment and the ordinances of the common council, the custody and management of any sinking fund provided for the payment or redemption of the city debts.

§ 83. The treasurer shall receive and have the care and custody of all the moneys of the city, and he shall pay them out as hereinafter provided.⁴ All the moneys of the city received by the treasurer shall be deposited by him daily, in two or more banks designated by the board of estimate and apportionment. The interest on such deposits shall belong to the city. No money shall be drawn out of a city depository except on⁵ drafts signed by the treasurer and countersigned by the comptroller, and such⁵ drafts shall always be made payable to the person entitled to receive the money.⁶ The treasurer shall keep a separate account with every department for which funds are specially raised by tax, or for which funds are raised by assessment for local or other improvements; and in every⁵ draft drawn by him he must state particularly against which of such funds the⁵ draft is drawn, [and he

shall at no time overdraw any fund, or draw upon one fund to pay a claim chargeable to another.^{7]}

⁴ He shall also demand, collect and receive all claims and moneys due to the city from any source.

⁵ checks or

⁶ unless such money be drawn for public use in the treasurer's office, in which cases the checks, so signed and countersigned, shall be made payable to the order of the treasurer.

⁷ (unless the money is drawn for use in the office) ; he shall at no time permit any fund to be overdrawn, or draw upon one fund to pay a claim chargeable to another ; and no money shall be paid out by him unless upon a bill, claim, draft or warrant audited or drawn by the proper officer, board or department and in all cases countersigned by the comptroller, except for principal and interest upon the bonds of the city.

§ 84. The moneys so deposited shall be placed to the credit of the city ; and the treasurer shall keep bank books in which shall be entered his account of deposits in, and moneys drawn from, the banks in which such deposits shall be made ; and he shall exhibit such books to the comptroller for his inspection at least once in every month, and oftener if required. The banks in which such deposits are made shall respectively transmit to the comptroller monthly statements of the moneys which shall be received and paid out by them on account of the city.

§ 85. The treasurer shall report to the comptroller, at the end of each day's business, by items, the moneys received.

§ 96. There shall be a board of estimate and apportionment, which shall consist of the mayor, comptroller, corporation counsel, president of the common council and the city engineer, except that when the number of subordinates or the salaries thereof in the department of any of the members of the said board, are to be fixed and determined, the treasurer shall temporarily take the place of the member, whose number, of subordinates, or the salaries thereof, is under consideration, for the purpose of fixing said salaries or number of subordinates, and for that purpose alone. The members of the board shall meet upon the call of the mayor or as directed by the board. The mayor shall be president of the board and the city clerk shall act as the secretary thereof. [Before the fifteenth day of November⁸ in each year] the board shall cause the estimates submitted to it as herein provided to be printed, and shall furnish a copy thereof to any taxpayer of the city desiring one ; and on that day in each year, or if that be Sunday, then on the next day, it shall meet to consider the estimates ; and at such meeting or at any adjourned meeting, while such estimates are under consideration, it shall hear any taxpayer of the city in reference thereto. After such hearings, which must be concluded in the month of November, it shall make an estimate of the amounts required to pay the expenses of conducting the business of the city, in each department and office thereof, for the next fiscal year, and also to pay the principal and interest of any city indebtedness falling due during the year. After it has made such estimate, it shall submit it in

writing, with such reasons for it in detail as it may have to give, to the common council on or before the next fifth day of December; and on the fifteenth day of December thereafter, or if that be Sunday, then on the next day the common council shall convene and consider such estimate, and it shall hear any taxpayer who wishes to be heard in reference thereto, and after such hearing, which must be concluded on or before the twenty-seventh day of December, it may adopt such estimate as is submitted to it or diminish or reject any item therein contained, except such as relates to the city debt, and adopt the estimate as thus amended; but it shall not increase any item in such estimate for any department, office or purpose. When it shall have adopted the estimate as herein provided, the same shall be entered at large in its minutes and published in its proceedings; and the several sums in the final estimate so adopted shall be and become appropriated for the several departments, offices and purposes named in the estimate for the ensuing fiscal year.⁹ It shall not be lawful for the city, or any officer, board or department of the city, to expend, or contract to be expended, or to incur any liability, in the current year, for a greater sum than is so estimated for such officer, board or department, and so provided for by the common council in the tax levy as aforesaid; but this shall not be held to prohibit the commissioner in charge of the health department in said city from expending such sum, or incurring such debts beyond the amount estimated and provided for said board as may be actually necessary to prevent the spread of, or to suppress any contagious or infectious disease, or any epidemic in the city. It shall not be lawful for any officer, board or department of the city to make or enter into any contract for work, labor or services, or the hiring of employes, or for the purchase of any supplies, materials or apparatus, or the making of improvements or repairs, which by the terms of such contract involves an expenditure of money or liability therefor, which after taking into account the expenditures and liabilities already incurred, shall be in excess of the amount which has been estimated and allowed to such officer, board or department for such purposes by the board of estimate and apportionment of the city, in its annual estimate of the moneys necessary to be raised in said city, and directed by the common council to be raised by tax for the current fiscal year in which such contracts shall be made. Any contract, verbal or written, made in violation of this section, shall be null and void as to the city, and no moneys belonging to the city shall be paid thereon. Any officer, or any member of any board or department of the city, making or voting for any contract prohibited by this section, or auditing any account or claim thereunder, shall be deemed guilty of a misdemeanor, and upon conviction shall be punished by a fine or imprisonment, or by both, in the discretion of the court before which such conviction shall be had. But, except as may be otherwise provided by law, or by the estimates of the board of estimate and apportionment, when any moneys or revenues are received by any

such officer, board or department from any source other than by tax, such moneys or revenues may be used and applied towards and in addition to the funds so estimated and allowed as aforesaid, in such manner as in the judgment of said officer, board or department may be most beneficial to the city.

⁸ Within sixty days after the commencement of each fiscal year

⁹ In any city, where at the time of the taking effect of this act, there is no provision of law for the creation or maintenance of a sinking fund, for the purpose of providing for the funded indebtedness of the city thirty per centum of all moneys or revenues, received by the city, or by any officer, board or department, thereof, from any source other than by municipal tax, shall, upon receipt of the same, be forthwith deposited in a separate account or in separate accounts in a bank or banks, designated as a city depository, to the credit of the bonded indebtedness of the city. Such deposit shall be kept as a fund separate and apart from all other funds of said city, and shall be known as the "sinking fund", and it shall remain and be used for no other purpose than for the payment of the principal of the funded indebtedness, other than that incurred for local improvements, and shall be applied and used in retiring the principal of such bonded indebtedness as it matures; and the balance of said moneys or revenues received by the city, or by any officer, board or department, from any source other than by municipal tax, shall be used for the purpose of reducing the tax budget of the city, in the manner following: Within sixty days after the commencement of each fiscal year, except as otherwise provided herein, the board of estimate and apportionment shall make an estimate of the probable revenues to be received by the city during the said fiscal year, and also an estimate of the several sums of money which it deems necessary to pay the expenses of conducting the business of the city. . . . The several amounts specified in such final estimate as necessary to pay the expenses of conducting the business of the city and for the various purposes contemplated by this act and otherwise by law for the fiscal year, after deducting that portion of the estimated revenues applicable for such purpose, shall constitute the tax budget. . . . In case the revenues received by the city exceed the estimated amount of such revenues or in case there may remain any unexpended balances of the appropriations made for the support of the city government for the previous year, then such excess or such unexpended balances shall be retained by the city upon deposit and included as a part of the estimated revenues, and applied toward reducing the tax budget for the succeeding year. . . . The city shall have the power to borrow money with which to pay the debts and expenses of the city, within the estimates, in anticipation of the receipt of the city taxes, and revenues applicable to such purpose, and the common council may provide for the issuing of certificates of indebtedness, or revenue bonds, to be signed by the mayor, and treasurer, and countersigned by the comptroller for such purpose; and such certificates or bonds shall be paid out of the moneys received as such taxes, and revenues applicable to such purposes. . . .

§ 97. The fiscal year of every city shall commence on the first day of January; and on or before the first day of November in each year all heads of departments and officers empowered by this act, or by city ordinance, to control or authorize expenditures, shall furnish to the mayor estimates in writing of the amount of expenditures for the next fiscal year, in their respective departments or offices, including a statement of the salaries of all their officers and other employees, which estimates the mayor shall lay before the board of estimate and apportionment at its first meeting thereafter. It shall be the duty of the city clerk to keep a journal of all the proceedings of the board of

estimate and apportionment and of every vote by ayes and noes taken at any meeting thereof. The minutes of each meeting shall be printed in full within six days after its adjournment and immediately distributed, one to each member of the board and of the common council, one to the head of each department and one to every taxpayer entitled thereto under section four hundred and eighty-two of this act. At the end of the year the printed minutes shall be indexed and bound in adequate number.

E.—INDIANA BUDGET LAW.

Burns, Indiana Statutes, Revision of 1894. Also found in Horner's Annotated Statutes, 1897, but the numbers of the sections begin with 6863. This is the law for Indianapolis, but almost identical sections are found in the laws for the four other cities of over 35,000.

3821. It shall be the duty of each executive department, before the commencement of each fiscal year to submit to the joint meeting of the heads of the departments and of the various boards hereinbefore provided for in Sec. 45, an estimate of the amount of money required by the respective departments for the ensuing fiscal year, stating with as great particularity as possible each item thereof. The comptroller shall at the same time submit a statement or estimate of city expenditures for other purposes, for the ensuing year, over and above the moneys proposed to be used by the various executive departments giving with as great particularity as possible each item thereof. After such meeting and reports and consultation the city comptroller shall thereupon proceed to revise such estimates for the ensuing year, and the comptroller shall then prepare a report to the mayor of the various estimated amounts registered in said comptroller's opinion for each executive department and for other city expenses, together with an estimate of the necessary percent of taxes to be levied. The Mayor shall at the next meeting of the common council present such report with such recommendations as he may see fit. It shall be the duty of the committee on finance of said common council thereupon to prepare an ordinance fixing the rate of taxation for the ensuing year, and also an ordinance making appropriation by items for the use of the various executive departments and other city purposes for the ensuing year. Said ordinance may reduce any estimated item for any executive department from the figure submitted in the report of the city comptroller, but shall not increase the same unless recommended by the mayor. Such appropriation ordinance shall thereafter be promptly acted upon by the common council. If at any time after the passage of such ordinance an emergency shall arise for further appropriations for the use of any department, as certified by such department as hereinbefore provided, or other purpose

during the year, such additional appropriation may be made on the recommendation of the comptroller by a two-thirds vote of the council.

3822. No executive department officer or employee thereof shall have power to bind such city by any contract, agreement, or in any other way to any extent beyond the amount of money at the time already appropriated by ordinance for the purpose of such department.

3823 prescribes penalties.

3825 makes the comptroller liable on his bond for the amount of any overdraft of an appropriation except when a transfer is authorized by ordinance.

F.—ILLINOIS BUDGET LAW.

Illinois Public Laws, 1871-2, p. 240. Approved April 10, 1872.

Revised Statutes, 1899, p. 282, § 89-91.

Art. VII.

SEC. 2. The city council of cities, and the board of trustees in villages shall, within the first quarter of each fiscal year, pass an ordinance, to be termed the annual appropriation bill, in which such corporate authorities may appropriate such sum or sums of money as may be deemed necessary to defray all necessary expenses and liabilities of such corporation; and in such ordinance shall specify the objects and purposes for which such appropriations are made, and the amount appropriated for each object or purpose. No further appropriations shall be made at any other time within such fiscal year, unless the proposition to make each appropriation has been first sanctioned by a majority of the legal voters of such city or village, either by petition signed by them, or at a general or special election duly called therefor.

SEC. 3. Neither the city council nor the board of trustees, nor any department or officer of the corporation, shall add to the corporation expenditures in any one year anything over and above the amount provided for in the annual appropriation bill of that year, except as is herein otherwise specially provided; and no expenditure for an improvement to be paid for out of the general fund of the corporation shall exceed in any one year, the amount provided for such improvement in the annual appropriation bill: *Provided, however*, that nothing herein contained shall prevent the city council or board of trustees from ordering, by a two-thirds vote, any improvement, the necessity of which is caused by any casualty or accident happening after such annual appropriation is made. The city council or board of trustees may, by a like vote, order the mayor or president of the board of trustees and finance committee to borrow a sufficient amount to provide for the expense necessary to be incurred in making any improvements, the necessity of which has arisen as is last above mentioned, for a space of time not exceeding the close of the next fiscal year, which sum, and the interest, shall be added to the amount authorized to

be raised in the next general tax levy, and embraced therein. (Similar provision for judgments).

SEC. 4. No contract shall be hereafter made by the city council or board of trustees, or any committee or member thereof; and no expense shall be incurred by any of the officers or departments of the corporation, whether the object of the expenditure shall have been ordered by the city council or board of trustees or not, unless an appropriation shall have been previously made concerning such expense, except as herein otherwise expressly provided.

G.—SALARIES PAID TO TREASURERS AND COMPTROLLERS.

<i>City.</i>	<i>Treas.</i>	<i>Compt.</i>	<i>City.</i>	<i>Treas.</i>	<i>Compt.</i>
Albany,	\$ 3,500	\$ 2,500	Milwaukee, . .	5,000	4,000
Allegheny, . . .	3,500	2,500	Minneapolis, . .	5,000	3,000
Atlanta,	1,000	2,500	Nashville, . . .	2,000	2,000
Augusta,	1,800	1,500	New Haven, . . .	1,000	3,000
Baltimore, . . .	3,000	3,000	New Orleans, . .	3,500	4,500
Boston,	6,000	5,000	New York, . . .	12,000	10,000
Buffalo,	5,000	4,000	Oakland,	3,000	3,000
Cambridge, . . .	3,000	2,100	Peoria,	1,500	1,500
Camden,	2,500	2,500	Philadelphia, . .	10,000	8,000
Chicago,	*	5,000	Pittsburg, . . .	4,000	4,000
Cincinnati, . . .	3,500	5,000	Portland, Me., . .	2,500	1,400
Cleveland, . . .	4,000	4,000	Portland, Ore., .	3,000	3,000
Covington, . . .	2,400	1,800	Providence, . . .	4,000	3,500
Des Moines, . . .	1,500	1,500	Pueblo,	1,500	1,500
Detroit,	4,000	4,000	Richmond, . . .	2,040	2,040
Dubuque,	1,600	1,400	Rochester, . . .	4,500	2,800
Duluth,	2,000	1,900	St. Joseph, . . .	2,000	1,800
Elizabeth,	2,000	2,000	St. Paul,	5,000	3,500
Erie,	3,000	1,500	Sacramento, . .	1,500	2,400
Evansville, . . .	*2,000	2,500	Salt Lake,	1,800	1,500
Fall River, . . .	2,600	1,700	San Francisco, . .	4,000	4,000
Grand Rapids, . .	2,500	1,600	Savannah, . . .	2,500	2,000
Haverhill,	2,000	1,000	Scranton,	4,000	2,000
Holyoke,	2,600	1,600	Sioux Falls, . . .	600	1,000
Indianapolis, . .	†8,500	3,000	Spokane,	1,500	1,500
Jacksonville, . .	2,000	2,000	Syracuse,	†8,500	2,500
La Crosse,	†3,500	1,800	Wheeling,	1,000	1,500
Los Angeles, . . .	2,400	3,000	Worcester, . . .	3,400	2,000
Louisville, . . .	3,000	3,500	Youngstown, . .	500	1,200
Lowell,	2,700	1,800			

* Receives interest on deposits.

† Includes assistants.

SOURCES OF INFORMATION.

I. CITY DOCUMENTS.

There are three kinds of documents published by cities : (a) Charters, or laws for the government of particular cities. (b) Ordinances passed by city councils. (c) Reports of city officers. The following have been used. For the sake of brevity the name of the city is in all cases omitted from the title of the document. When figures are arranged thus, "1896-7," it means that a single document covers parts of two calendar years, but "1895 to 1900 inclusive" means that there is a separate document for each year :

AKRON—Reports, 1896-7, 1899-1900.

ALBANY—Annual report of the chamberlain, 1894 to 1897 inclusive.

Report of the trustees of the sinking funds, 1895 to 1897¹/₄ inclusive.

Municipal reports, 1895.

Proceedings of the common council, 1895 to 1897 inclusive.

Supplemental report of the bonded debt, 1896, 1897.

Annual report of the comptroller, 1900.

ALLEGHENY—Report of the city comptroller, 1896-7.

ATLANTA—Annual reports. 1895, 1899.

AUGUSTA—Official reports, 1897, 1899.

BALTIMORE—Annual reports of the register and commissioners of finance, 1895, 1900.

The financial reports of the mayor and city council, 1896.

Annual report of the city comptroller, 1897, 1900.

BANGOR—Charter and ordinances, 1897.

Annual report of the city treasurer, 1896 to 1900 inclusive.

BOSTON—Revised ordinances, 1892.

Report of the city auditor, 1892-3 to 1900-1 inclusive.

Municipal register, 1895, 1897.

Valedictory address of the mayor, 1895.

Appropriation ordinances and other documents.

BUFFALO—Report of the comptroller, 1894-5 to 1899-1900 inclusive.

Charter and ordinances, 1896.

BURLINGTON—Thirty-first annual report, 1895.

An act to amend the charter, 1896.

CAMBRIDGE—An act to amend the charter, 1891.

Annual report of the city auditor, 1895 to 1899 inclusive.

CAMDEN—Revised charter and amendments, 1887.

Fifth annual message, 1897.

Report of treasurer, 1899-1900.

CANTON—Report of city officials, 1898, 1899.

CHARLESTON—Year book, 1895, 1900.

CHELSEA—City documents, 1896, 1899.

- CHICAGO—Council proceedings, 1892-3, 1893-4.
Annual statement of the finances, 1893 to 1897 inclusive, 1899.
Municipal reports, 1894.
Mayor's annual message, 1895.
Bonded debt, 1899.
Comptroller's report, 1899, 1900.
- CINCINNATI—Manual of the board of legislation, 1893-4.
Annual report of the finances, 1896, 1899.
City auditor's estimate of the levy, 1899, 1900.
- CLEVELAND—The municipal law, 1891.
Financial reports, 1894 to 1898 inclusive.
Appropriation and tax ordinances, 1897.
- COLUMBUS—An act to establish a new form of city government, 1893.
Annual report, 1896.
Annual report of the trustees of the sinking Fund, 1896.
- DAYTON—Acts establishing board of city affairs, 1892.
Annual report, 1896 to 1900 inclusive.
- DENVER—Department of finance, annual report, 1895, 1897.
- DETROIT—Annual report, 1894-5 to 1898-9 inclusive.
Appropriations, 1897, 1899.
Estimates, 1899, 1900.
- DUBUQUE—Report of the committee on finance, 1872-3, 1895-6, 1899-1900.
Council proceedings concerning tax-levy, 1898.
- DULUTH—Annual report of the city comptroller and city treasurer, 1896-7.
- ELGIN—Mayor's message and annual reports of city officers, 1900.
Annual appropriation bill, 1900-1901.
Officers' estimates for 1901 and city clerk's statement.
- ELIZABETH—Extract from council proceedings, concerning tax-levy, 1897.
- ERIE—Second annual message, 1895.
Message of the mayor and department reports, 1896-7.
Municipal manual, 1899-1900.
- EVANSVILLE—Annual report of the mayor and officers, 1895-6.
Comptroller's report, 1896-7.
- FALL RIVER—Auditor's report, 1895 to 1900 inclusive.
- FORT WAYNE—City charter, 1893.
Annual reports of departments of the city government, 1896.
- GRAND RAPIDS—Charter, 1897.
Annual reports, 1896-7, 1900-1901.
- HAVERHILL—Revised ordinances, 1896.
Auditor's annual report, 1896 to 1899 inclusive.
- HOBOKEN—Financial statement, 1896-7.
- HOLYOKE—An act to revise the charter, 1896.
Municipal register, 1896 to 1900 inclusive.
Auditor's report, 1896-7.

- INDIANAPOLIS—Comptroller's report, 1895 to 1900 inclusive.
- JACKSONVILLE—Annual report of the mayor and other officers, 1894-5.
- JERSEY CITY—Annual report of the city comptroller, 1896.
- KANSAS CITY, KAN.—Reports, 1900.
- KANSAS CITY, MO.—Charter amendments, 1892.
- Message of mayor, 1894.
- Six semi-annual reports of the city comptroller in the period from April, 1894 to September 1899
- Charter, 1889.
- KNOXVILLE—Comptroller's report of the financial condition, 1896.
- LA CROSSE—Annual message of the mayor, 1896.
- Annual report of city officers, 1897.
- LEAVENWORTH—Annual message, 1891-2, 1895-6 to 1897-8 inclusive.
- Annual report, 1893-4, 1894-5, 1896-7.
- LITTLE ROCK—Report of city officers, 1894 to 1897 inclusive.
- Mayor's message, 1896, 1898, 1900.
- LOS ANGELES—Annual report, 1897.
- LOUISVILLE—Annual reports, 1896-7, 1898-9.
- LOWELL—Auditor's report, 1895 to 1899 inclusive.
- LYNN—Annual report of the auditor, 1894 to 1900 inclusive.
- Inaugural address of the mayor, 1899.
- MANCHESTER—Annual reports, 1895, 1898.
- MILWAUKEE—Comptroller's report, 1893, 1895, 1896, 1899.
- Department reports, 1894.
- MINNEAPOLIS—Annual reports, 1894.
- Annual report of city comptroller and treasurer, 1894 to 1897 inclusive, 1899.
- MOBILE—Annual reports, 1894-5.
- MUSKEGON—Charter, 1897.
- NASHVILLE—Charter for its government, together with reports of departments, 1886-7.
- Rules and regulations governing the city council, 1895.
- Annual reports, 1895, 1896.
- NEWARK—Annual reports, 1895 to 1900 inclusive.
- Statistical message of mayor, 1896.
- Mayor's message, 1898.
- NEW HAVEN—Reports of the financial department, 1895, 1896.
- City year book, 1897.
- Revised charter and consolidation act, 1897.
- Controller's monthly report, September, 1898.
- Report of bonds and notes, October, 1898.
- NEW ORLEANS—Charter, 1896.
- Comptroller's report, 1896.
- NEW YORK—City record, various numbers.
- Comptroller's report, 1891 to 1896 inclusive.
- Annual report of the commissioners of taxes and assessments, 1894.
- Minutes of the board of estimates and apportionment, 1894.

- NORFOLK—Message of mayor, 1896, 1897.
- OAKLAND—Auditor's report, 1894-5 to 1897-8 inclusive.
- OGDEN—Revised ordinances, 1894 ; Amendments, 1897.
Officers' financial statements, rules, 1898.
- OMAHA—Annual report of the board of education, 1892-3, 1893-4.
Charter for metropolitan cities, 1893, 1897.
Annual reports, 1895 to 1897 inclusive.
- OSHKOSH—Annual report of the comptroller, 1891, 1892.
Annual report of the board of public works, 1892, 1893.
Charter and ordinances, 1896.
- PEORIA—City comptroller's report, 1895 to 1899 inclusive.
- PHILADELPHIA—City comptroller's annual report, 1893 to 1899 inclusive.
- PITTSBURG—Annual report of the city controller, 1898 to 1900 inclusive.
- PORTLAND, ME.—Auditor's annual report, 1896-7, 1899-1900.
- PORTLAND, ORE.—Mayor's message and municipal reports, 1896.
- PROVIDENCE—Auditor's report, 1894-5 to 1899-1900 inclusive.
Estimates, 1899-1900.
Monthly report of auditor and treasurer, May, 1899.
- PUEBLO—City auditor's annual statement, 1896-7, 1897-8, 1899-1900.
- RICHMOND—Annual report of the auditor, 1893 to 1900 inclusive.
- ROCKFORD—Revised ordinances, 1892.
Reports of the city officers, 1896, 1897, 1899, 1900.
- ST. JOSEPH—Laws and general ordinances, 1888.
Municipal reports, 1896-7 to 1898-9 inclusive.
- ST. LOUIS—Mayor's message and documents, 1893-4, 1894-5.
Report of the comptroller, 1895-6, 1898-9.
- ST. PAUL—Annual report of city officers, 1893, 1894.
Annual report of the city treasurer, 1894.
Report of the comptroller, 1894 to 1899 inclusive.
City comptroller's estimate of expenses, 1895.
- SAGINAW—Annual report, 1897, 1899.
- SALÉM—City documents, 1896, 1898.
Report of city auditor, 1897.
- SAN ANTONIO—Annual message, 1897-8.
- SAN FRANCISCO—Auditor's report, 1895 to 1897 inclusive.
Charter, 1898.
- SALT LAKE CITY—Mayor's message, 1896.
- SAVANNAH—Annual report, 1895 to 1897 inclusive.
Tax ordinance, 1897.
- SCRANTON—Manual of councils, 1897-8.
- SEATTLE—Report of city comptroller, 1894 to 1896 inclusive, 1898, 1899.
- SIOUX FALLS—Laws and ordinances, 1897.
- SOMERVILLE—City charter, 1896.
Annual reports, 1896 to 1899 inclusive.

SPRINGFIELD—Report of officers, 1897, 1900.

SUPERIOR—Charter and ordinances, 1896.

SYRACUSE—Proceedings of common council, 1895 to 1899 inclusive.

Common council manual, 1897-8.

Comptroller's report, 1900.

Appropriations, 1900.

TACOMA—Controller's report, 1894 to 1898 inclusive.

TROY—Report of the comptroller, 1894 to 1897 inclusive.

VICKSBURG—Charter, 1884.

Clerk's report, 1896.

WASHINGTON, (District of Columbia)—Report of the auditor, 1886-7, 1887-8, 1889-90 to 1897-8 inclusive.

Act providing a permanent form of government for the District of Columbia, 1895.

WHEELING—Annual statement of receipts and expenditures, 1896,

Budget ordinance, 1897.

Tax ordinance, 1900.

Appropriations, 1900-1901.

WILMINGTON—Mayor's message, 1901.

WORCESTER—Table showing population, valuation, taxes, etc., 1850-89, 1850-98.

Laws and revised ordinances, 1895.

Auditor's annual report, 1895 to 1897 inclusive, 1899.

Estimates, 1896, 1900.

YOUNGSTOWN—Annual report, 1895-6, 1896-7, 1899-1900.

2. LAWS AND OTHER DOCUMENTS PUBLISHED BY STATE AUTHORITY.

In 1897 the writer examined the latest compilations or codes of state laws existing at that time, and made notes on the provisions relating to city finances. The session laws that were later than the compilations were also examined; in some cases earlier session laws were examined when it was desired to trace any provision through its various changes. A list of these volumes of laws would be of little use in this place and is therefore not included.

If this classification of sources of information were based on the nature of the material instead of the form in which it is found or the authority which publishes it, the city charters named in the first and last of these four groups of sources would come in this group.

Two state reports require mention :

NEW JERSEY—Annual report of the comptroller, 1897.

NEW YORK—Senate documents, 1891, No. 80, V. Report of committee (Fassett) to investigate city government.

3. PERSONAL INFORMATION.

The writer has visited in person the following twenty-four cities and interviewed one or more officials in each : Boston, Cambridge, Chelsea, Chicago, Dubuque, Duluth, Elgin, Jersey City, LaCrosse, Lowell,

Lynn, Manchester, Milwaukee, Minneapolis, Newark, New York, Oshkosh, Philadelphia, Providence, Rockford, Salem, Somerville, St. Paul and Superior. Visits for other purposes to eighteen other cities have yielded some advantage.

From all except twenty-seven of the cities named in Appendix A the writer has received considerable information through personal letters from city officials. Some of the twenty-seven were cities visited in person and from which it was not therefore necessary to ask for information by letter; others, in answer to inquiries, sent documents which contained more or less of the data asked for. There is only one city in the list of one hundred and two from which the writer has been unable to get any response whatever.

It is a matter of great regret to the writer that he has been so situated during the past six years as to be unable to keep in touch with others who are pursuing the same or allied lines of study. There are a few friends, however, to whom credit should be given. Dr. G. O. Virtue, of the State Normal School at Winona, Minn., and Professor F. W. Taussig, of Harvard, the latter as chairman of the Publication Committee of the American Economic Association, read the manuscript when partly completed and made some suggestions on points of detail. Dr. H. A. Millis, of the John Crerar Library, Chicago, gave some information about Chicago. Professor John A. Fairlie, of the University of Michigan, and Mr. Edward J. Dempsey, of Oshkosh, read the proofs, making numerous corrections and advising alterations. The New York State library furnished some important data and verified the references to the statutes, while the sociology librarian, Dr. Robert H. Whitten, made corrections and suggested alterations in the proof.

4. MISCELLANEOUS BOOKS.

Access to books has been as restricted as the opportunities to associate with other students of city government or public finance. The writer has been almost wholly dependent for data, other than those afforded by the sources mentioned above, and for suggestions regarding perspective, selection of material, arrangement, etc., upon such books and periodicals as he could purchase. The following have been useful, though to some of them few or no references are made.

In two instances the writer has used copies of charters that were published neither by state authority nor by city authority. One of these is the charter of the city of New York which has been published in a quarto pamphlet in repeated editions from 1897 to 1901 by the Brooklyn Daily Eagle. The other is a pamphlet compiled by Professor Edmund J. James, of the University of Chicago, and published by the University, containing the early charters of Chicago.

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ANALYSIS OF RECEIPTS, DISBURSEMENTS, ASSETS AND LIABILITIES, ACCORD

	ORDINARY RECEIPTS.	EXTRAORDINARY RECEIPTS.	ORDINARY DISBURSEMENTS.	
GENERAL GOVERNMENT.				
a. EXECUTIVE.				
Mayor and Board of Control			\$ 41,322 67	
b. LEGISLATIVE.				
Council and City Clerk	\$ 32,142 34		31,387 10	
c. LEGAL.				
Law Department			13,628 08	
d. FINANCIAL.				
Auditor	9,304 72		19,680 42	
Treasurer			9,059 33	
Board of Equalization			7,500 00	
Taxes	2,935,587 80			
e. ADMINISTRATIVE.				
Director of Public Works Office			7,607 03	
Director of Charities Office			1,226 08	
f. CITY HALL.				
Maintenance and Repairs	7,876 27		57,232 44	
g. ELECTIONS.				
Board of Elections	\$2,984,911 13		19,555 14	\$ 208,198
PUBLIC CHARITIES.				
a. INFIRMARY.				
City Hospital	11,662 88	\$ 6,078 00	102,893 86	
Outdoor Relief			32,586 56	
b. THE UNEMPLOYED.				
Employment Bureau		11,662 88	\$ 6,078 00	1,800 00 137,280
PUBLIC SAFETY.				
a. POLICE.				
Police Department	490 91		386,067 86	
Police Contingent (secret service)	4,224 49		3,100 00	
House of Correction (prison)	24,230 78		43,777 70	
b. HEALTH.				
Sanitary Department	3,735 00		39,761 66	
c. FIRE SERVICE.				
Fire Department	1,917 53		437,028 63	
d. COURTS.				
Police Court	29,186 40		25,984 81	
Justice Court	10,482 66		17,100 70	
e. ARMORIES.				
Janitor Service		74,267 77	3,420 07	956,231
PUBLIC CONVENIENCE.				
a. CHIEF ENGINEER.				
Office and Service			67,348 83	
b. PUBLIC HIGHWAYS.				
Bridges	3,992 95		84,676 16	
Street Cleaning	12,494 71		129,897 40	
Street Intersections and Paving Fund				
Street Repair Inspection	2,867 52		2,762 00	
Street Pavements and Gradings			252 90	
Sidewalks				
c. WATERWAYS.				
River and Harbor Improvement				
Dredging and Harbor Master			26,577 08	
d. REMOVAL OF WASTE.				
New Sewers				
Interceptor				
Sewer Districts			22,147 87	
Night Soil Service	20,619 39		20,618 11	
e. LIGHTING	1,044 47		235,325 68	
f. PARKS	2,409 00	43,428 04 81,039 72	81,039 72	80,319 66 669,925
QUASI-PRIVATE ENTERPRISES.				
a. WATER WORKS	642,279 49	5,961 00	240,994 06	
b. MARKETS	43,237 99		19,948 59	
c. CEMETERIES	26,809 55	5,000 00	24,514 24	
d. HOUSE OF CORRECTION (Mnfg. Dept.)	46,556 52		30,536 88	
e. CITY STOREROOM	5,473 38	764,356 93	10,961 00	5,229 75 321,223
PUBLIC TRUST FUNDS.				
a. SINKING FUNDS	162,688 00		650 00	
b. TEMPORARY FUNDS.				
Art Gallery Fund				
Unclaimed Money				
Home Telephone Co.		162,688 00		650

OR 1897.

ORDING TO FUNDAMENTAL PURPOSES.

TS.	EXTRAORDINARY DISBURSEMENTS.	ASSETS.	LIABILITIES.
		1,095 15	
		4,862 86	
		2,111 11	
		3,647 16	
		1,182 01	
		8,307 62	
		3,046 91	
		498 27	
1,198 29		516 00	
	\$ 24,205 08	691,482 60	
1,280 42	\$ 24,205 08		
	910 29	484,411 48	\$ 120,000 00
	2,249 93	8,505 45	
		370,004 62	
		8,729 89	
	6,600 06	816,245 17	247,000 00
	2,493 77	5,643 83	
		1,026 50	
1,231 36		12,254 05	
		32,518 16	
	153,282 61	4,275,887 91	1,861,000 00
	6,266 00	6,307 86	
	3,079 68	80,039 61	
	284,810 13	308 79	
	1,668 83	8,521,931 94	611,298 00
	459,539 68	283 11	
		525,000 00	
		5,761 30	
	396,246 18	5,647,404 02	150,544 00
	63,292 86	210,000 00	
		208,480 67	921,000 00
		310 56	
		16,832 53	
1,925 69	669,367 02	6,358,235 22	1,600,000 00
	504,228 28	8,584,913 89	2,108,450 78
	241 16	167,991 05	
	1,900 00	279,675 11	
		50,094 53	
1,223 52		4,000 00	
		2,160,387 17	3,370,650 00
		5,000 00	5,000 00
		247 46	
650 00	5, 00 00	5,000 00	

PUBLIC DEBT AND MONEY.

a. INTEREST	261,903 07				521,671 76
b. LOANS		261, 03 07	2,801,960 00	2,801,960 00	521,671
TOTALS		\$4,303,217 82		\$ 2,900,038 72	\$2,815,181
BROUGHT DOWN				4,303,217 82	BROUGHT DOWN.
TOTAL RECEIPTS				\$ 7,203,256 54	TOTAL DISBU
CASH IN TREASURY, JAN'Y 1, 1897				1,810,102 93	CASH IN TREASURY, JA
CASH IN HANDS OF S'K'G FUND COMM'RS, JAN'Y 1, 1897 ..				2,008,805 06	CASH IN HANDS OF SKC
					JAN'Y 1, 1898
				\$11,022,164 53	

			66,597 65	
,671 76	1,476,094 66	1,476,594 66		
1,181 04		\$ 4,062,036 22	\$39,619,525 18	\$10,994,942 78
OWN		2,815,181 04		
DISBURSTMENTS		\$ 6,887,217 26		
7, JAN'Y 1, 1898		1,988,126 37		
7 SKG FUND CO. MR'S,		2,156,820 90		
		\$11,022,164 53		

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